


TRENDING PROBLEMATIC NEIGHBORHOODS

"A whole lot more than just new Factors"

Presented by Ken Surface

Summer Conference 2007
August 7-10, 2007



Course Outline

- This course will cover:
 - Discussion regarding the work that is needed to trend problematic residential neighborhoods.
 - How to fix these problematic neighborhoods by addressing effective years, conditions, grades and land values for all the properties within the neighborhood as they relate to 2006 market values
 - How to accomplish our goal of reducing appeals and decreasing tax rates

Course Outline

- We will review:
 - How just calculating new factors won't necessarily give you uniform and equitable assessments despite being within state standards
 - The effects of our newly calculated factors and how this relates to the individual properties that sold in terms of \$ variance and % variance
 - Reduction of appeals

Course Outline

- We will Review:
 - What our sold properties are telling us in terms of market value and how we can use this information for our unsold properties
 - How to get to market value by making changes within your ecama systems

Our Goal ????

- Question:
 - What is the bottom line Goal that we hope to achieve through the completion of the trending process that is now required of assessors every year?

Our Goal ????

- Answer:
 - Hopefully, establish a true tax value as of the valuation date, for 2007 assessments it will be 1-1-06
 - Narrow the disparity between assessment values and purchase prices
 - Narrow the disparity between assessment values and market values for non-sold properties
 - Create an overall smaller variance in our nbhd's

Our Goal????

- Question:
 - Does the method of just factoring the current cost and depreciation tables accomplish our goal for all types of neighborhoods?

Our Goal????

- Answer:
 - Unlikely – The approach of just calculating a new market factor is unlikely to yield a True Tax Value for every type of neighborhood since the unadjusted costs and depreciation tables are based upon calculations from 1999.

Neighborhoods

- What type of neighborhoods does the method of just calculating a new factor work well for?
- What type of neighborhoods does the method of just calculating a new factor not work well for? (i.e. what are your problematic type of neighborhoods)

True Tax Value Definition

- True Tax Value Defined as:
 - *"The market value-in-use of a property for its current use, as reflected by the utility received by the owner or a similar user, from the property".*

Assessor Responsibility

- Page 2 of the 2002 Real Property Assessment Manual defines the assessors responsibility.
 - True Tax Value – *"It is this definition, therefore, that sets the standard upon which assessments may be judged. Although this assessment manual provides general rules for assessing property, situations may arise that are not explained or that result in assessments that may be inconsistent with this definition. In those cases the assessor shall be expected to adjust the assessment to comply with this definition and may ask the State Board to consider additional factors, pursuant to IC 6-1.1-31-5".*

Principles of Annual Assessments

- Current market value implies annual assessments of all property
- Limit tax shifts between property classes
- Assessing officers should consciously reevaluate the factors that affect value
- It is necessary to observe and evaluate
- It is recommended that assessing officers consider establishing regular reappraisal cycles

Sales Information

- Sales information is our #1 source of information for the majority of our properties
- It drives our current annual adjustment system

Sales Chasing

- "Sales Chasing" is the practice of using the sale of the property to trigger a reappraisal of that property at or near the selling price

Sales Chasing

- Sales Chasing causes the following:
 - Invalid uniformity results in a sales ratio study
 - Invalid appraisal level results unless similar unsold parcels are reappraised by a method that produces the same percentage market value (appraisal level) as on the parcels that "sold"

Sales Chasing

- Unless similar unsold parcels are reappraised at the same level as sold parcels, sales chasing causes inequitable treatment of taxpayers by shifting the burden to taxpayers who have recently purchased property

Sales Information

- This class is going to concentrate on what our sales information is telling us and how we can apply this information to the sold and unsold properties in our problematic neighborhoods

Sales Disclosure Investigation

- Sales Disclosures drive the entire trending process
 - It is hard to trend, if not impossible without good sales data.
 - Each sales needs to be reviewed for complete list of parcels involved and validity.
 - This needs to be done immediately – not a year later, when you are starting your factor calculations
 - Large Discrepancies (+ or – 40% from current AV) need to have the property field reviewed immediately. Why the big difference?

Sales Disclosure Investigation

- Validation:
 - Just data basing sales disclosures is not enough – garbage in = garbage out
 - SDF's need to be validated and data based accurately per property class, etc.
 - You can not just in-validate every sale that you don't like
 - For sales that are determined not to be valid – indicate a reason in the database
 - The DLGF is putting an enormous emphasis on matching the number from the SDF database to what is used on ratio studies

Sales Disclosure Investigation

- Need to research Multiple Parcel sales
 - Don't immediately discard them due to being multiple parcels as many are valid sales
- Need to research all Commercial and Industrial Sales

HANDOUTS

- HANDOUT #1
 - Handout #1 calculates the market adjustment factor for the neighborhood based upon the recorded sales

HANDOUTS

- Handout #2
 - Handout #2 is a ratio study for this neighborhood
 - The market adjustment factor of 1.77 has been applied to all improvements within the neighborhood

HANDOUTS

- Handout #3
 - Handout #3 shows the variance in terms of dollars and percentage (Sales Price vs Total AV)

Review of our NBHD

- This neighborhood has approximately 200 parcels
 - Do you feel that the entire neighborhood is uniform and equitable based upon our results from our sales in the ratio study which account for approximately 10% of all our properties?
 - Do you feel that we will have several unsold properties undervalued and overvalued?

Review of our NBHD

- Do you feel that we will have some appeals as result of the current market adjustment factor (1.77) that is being applied?
- Is the factor causing the bad assessments or is it the poor base values that is causing our bad assessments?

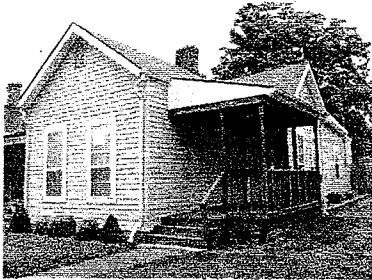
SALE OUTLIERS

- Sales Outliers are sales that are having an adverse effect on the entire data set
- Within our dataset, there are a few sales that I would consider outliers
- We are going to concentrate on the first 4 properties, that are predominately driving this 1.77 factor

SOLD PROPERTIES

- The following set of pictures are of properties within the neighborhood that sold
 - Information listed
 - Current Grade
 - Current Effective Year
 - Current Condition
 - Sales Price
 - Finished Living Square Footage
 - Total AV after applying mkt. adjustment factor

Parcel #1
D, 1926, Poor
Sold for \$74,980, Total AV = \$43,500
1080 sq ft of finished living area



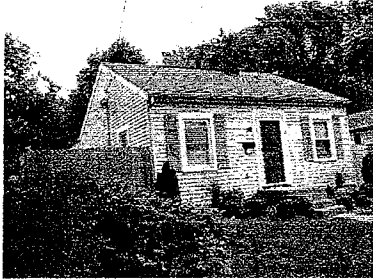
Parcel #2
D, 1926, Average
sold for \$165,00, Total AV = \$99,700
2200 sq ft of finished living area



Parcel #3
D, 1926, Fair
Sold for 90,300, Total AV = \$63,550
1633 sq. ft of finished living area



Parcel #4
D, 1926, Fair
Sold for \$69,000, Total AV =53,700
950 sq. ft. of finished living area



Non Sold Properties

- The following set of pictures are of properties within the neighborhood, but did not sell.
 - Information Listed
 - Current Grade
 - Current Effective Year
 - Current Condition
 - Finished Living Area Square Footage
 - Current AV (1.77 mkt. factor applied)

Parcel A
D, 1926, Average
No sales price, Total AV =138,300
3044 sq. ft. of finished living area



Parcel B
D-1, 1950, Average
No sales price, Total AV = \$85,700
922 sq. ft. of finished living area



Parcel C
D, 1926, Poor
No Sales Price, Total AV = \$52,700
1920 sq. ft. of finished living area



Residential Improvement Assessing

- Despite a general reassessment not being ordered, selected residential areas should be reviewed annually for accuracy bringing them in line with their purchasing prices.

Residential Improvement Assessing

- Assessors need to use the various tools available to them
- Learn from your sales and then apply your knowledge to the other properties
 - Utilize the effective Age
 - Utilize condition
 - Utilize obsolescence
 - Utilize appraisals
 - Utilize previous appeals
 - Utilize sales per square footage calculations
 - Utilize sales on a per unit basis, etc.

Residential Improvement Assessing

- Goal:
 - Remember our goal is create assessments that are similar between sold / unsold property based upon sales & appraisals of similar properties
- Concern:
 - For many of you, there maybe a reluctance to changing effective year as the manual only indicates that this is to be done if there is additional square footage added to the structure.

ADDRESSING THE BASE ASSESSMENT

- To address the base assessment you need to look at the following:
 - Grade
 - Condition
 - Effective Year
 - probably the most important aspect of the base value as it has the biggest impact on the amount of depreciation being received

ADDRESSING EFF YR

- How to address the effective year so that it brings our properties more in line with today's market value
 - FORMULA
 - Sales Price or Desired Value minus Land AV = our True Tax Value
 - True Tax Value divided by our Mkt. Adj. Factor = our Remainder Value

ADDRESSING EFF YR

- Formula (cont'd)
 - The difference between our Remainder Value and our Replacement Cost divided by the Replacement Cost = our desired Depreciation Amount
 - Referencing our newly desired Depreciation Amount from the manuals depreciation tables will give us our desired Effective Year

HANDOUTS

- Handout #4
 - Handout #4 address the effective year, condition and grade for our 4 properties
 - We are going to utilize our adjusted factor of 1.65

HANDOUTS

- Handout #5
 - Handout #5 address the effective year, condition and grade for our 3 non-sold properties
 - We are going to use our adjusted market factor maintain our 1.65
 - We have determined through our sales analysis that on average properties in this nbhd are selling for approximately \$70 per square foot of finished living space

HANDOUTS

- Handout #6
 - Handout #6 is a recalculation of our market adjustment factor
 - Having addressed 4 of our 5 sales outliers our new market adjustment factor is 1.65

HANDOUTS

- Handout #7
 - Handout #7 reflects a revised ratio study after making the changes to our 4 parcels
 - We also made changes to our unsold properties based upon our sales information
 - The uniformity in our assessments are now more valid as we addressed not only the sold properties but also the un-sold properties

HANDOUTS

- Handout #8
 - Handout #8 is a comparison of our \$ and % variance
 - Top portion is with our original factor of 1.77
 - Bottom portion is with our revised factor of 1.65

RESULTS

- In addition to greater uniformity, we have also decreased the potential for appeals
- We also increased our Total AV for the neighborhood
- Tax Burden is not being shifted to just those properties that sold
- Tax Rates will potentially fall

Data Basing

- The more information you can data base the better your future trended years will be.
 - Sales
 - Appeals
 - Record the year of your data (i.e. based upon 2005 appraisal, 2003 – 2005 income/expense info, etc)
 - Appraisals
 - Income Information

Data Basing

- Appeal data basing will provide you an extensive amount of valuable information
 - You can use the final determined value from the appeal in the same manner as you use sales information
 - This will just increase your sample size and it will now be reflecting properties that did not sell as this is where most of your appeals come from

Data Basing

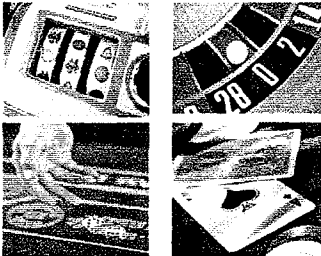
- Appeal data basing will also eliminate repeated appeals from the same taxpayer in the upcoming year

Concerns/Questions

- Does anyone have any special concerns or questions?

Gambling

If you plan on Gambling know when to walk away
This applies to when you are up and more importantly
when you are down



Thank You

- Contact Information
 - Ken Surface
 - 317-753-5555

HANDOUT #1 (CALCULATION OF MARKET ADJUSTMENT FACTOR)

PARCEL#	CLASS	COND	GRADE	YR BLT	EFF YR	LAND AV	IMP AV	TOT AV	SALE DATE	SALES PRICE	SP-LAND	IND FACT
1	510	P	D	1926	1926	17600	14630	32230	8/4/2003	\$74,980.00	57380	3.92
2	510	A	D	1926	1926	14500	48140	62640	10/8/2003	\$165,000.00	150500	3.13
3	510	F	D	1926	1926	15300	27260	42560	9/20/2004	\$89,900.00	74600	2.74
4	510	F	D-1	1926	1926	24600	16420	41020	6/28/2005	\$69,000.00	44400	2.70
5	510	G	D+2	1926	1926	41900	102368	144268	5/27/2003	\$151,189.00	109289	1.07
6	510	F	D-1	1940	1940	12400	21184	33684	9/4/2003	\$50,500.00	38100	1.80
7	510	F	D	1930	1930	19300	25461	44761	12/2/2003	\$60,000.00	40700	1.60
8	510	A	D	1926	1926	18900	36000	54900	12/19/2003	\$80,000.00	61100	1.70
9	511	A	D	1926	1926	4000	22434	26434	1/30/2004	\$37,000.00	33000	1.47
10	510	A	D+1	1923	1923	19600	40658	60258	2/27/2004	\$84,900.00	65300	1.61
11	510	A	D+2	1962	1962	19600	33355	52955	3/5/2004	\$76,500.00	56900	1.71
12	510	A	D-1	1926	1926	16800	28421	45221	4/15/2004	\$68,280.00	51480	1.81
13	510	F	D-1	1926	1926	11400	24211	35611	5/10/2004	\$45,000.00	33600	1.39
14	510	A	D+2	1926	1926	28800	38158	66958	5/14/2004	\$78,700.00	49900	1.31
15	510	A	D	1926	1926	10900	21447	32347	8/6/2004	\$40,280.00	29380	1.37
16	510	F	D+1	1886	1886	28500	39803	68303	3/24/2005	\$95,000.00	66500	1.67
17	510	A	D+2	1957	1957	16000	33224	49224	6/29/2005	\$78,000.00	62000	1.87
18	510	A	C-1	1926	1926	23500	70592	94092	6/30/2005	\$149,500.00	126000	1.78
19	510	A	D	1950	1950	15600	43882	59482	10/12/2005	\$92,000.00	76400	1.74
20	510	F	D+1	1926	1926	16500	38092	54592	12/14/2005	\$78,001.00	61501	1.61

Factor with all 20 parcels included

725,739

1,288,030

1.77

Adjusted factor with parcels 6 - 20

516,921

851,861

1.65

HANDOUT # 2 RATIO STUDY

Factor of 1.77 was used

PARCEL#	CLASS	COND	GRADE	YR	BLT	EFF YR	SALE DATE	SALES PRICE	LAND AV	FACT IMP	TOTAL AV	ASS/SP	VAR
1	510	P	D		1926	1926	8/4/2003	\$74,980.00	17600	25900	43500	0.58	0.449946
2	510	A	D		1926	1926	10/8/2003	\$165,000.00	14500	85200	99700	0.60	0.425855
3	510	F	D		1926	1926	9/20/2004	\$89,900.00	15300	48300	63600	0.71	0.322648
4	510	F	D-1		1926	1926	6/28/2005	\$69,000.00	24600	29100	53700	0.78	0.25184
5	510	G	D+2		1926	1926	5/27/2003	\$151,189.00	41900	181100	223000	1.47	0.444875
6	510	F	D-1		1940	1940	9/4/2003	\$50,500.00	12400	37500	49900	0.99	0.041982
7	510	F	D		1930	1930	12/2/2003	\$60,000.00	19300	45000	64300	1.07	0.041566
8	510	A	D		1926	1926	12/19/2003	\$80,000.00	18900	63720	82620	1.03	0.00265
9	511	A	D		1926	1926	1/30/2004	\$37,000.00	4000	39700	43700	1.18	0.150981
10	510	A	D+1		1923	1923	2/27/2004	\$84,900.00	19600	71900	91500	1.08	0.047638
11	510	A	D+2		1962	1962	3/5/2004	\$76,500.00	19600	59000	78600	1.03	0.00265
12	510	A	D-1		1926	1926	4/15/2004	\$68,280.00	16800	50300	67100	0.98	0.047382
13	510	F	D-1		1926	1926	5/10/2004	\$45,000.00	11400	42800	54200	1.20	0.174344
14	510	A	D+2		1926	1926	5/14/2004	\$78,700.00	28800	67500	96300	1.22	0.193534
15	510	A	D		1926	1926	8/6/2004	\$40,280.00	10900	37900	48800	1.21	0.181419
16	510	F	D+1		1886	1886	3/24/2005	\$95,000.00	28500	70400	98900	1.04	0.010952
17	510	A	D+2		1957	1957	6/29/2005	\$78,000.00	16000	58800	74800	0.96	0.071126
18	510	A	C-1		1926	1926	6/30/2005	\$149,500.00	23500	124900	148400	0.99	0.037458
19	510	A	D		1950	1950	10/12/2005	\$92,000.00	15600	77600	93200	1.01	0.017057
20	510	F	D+1		1926	1926	12/14/2005	\$78,001.00	16500	67400	83900	1.08	0.045527

MEDIAN 1.03
 COD 14.37%
 PRD 1.01

HANDOUT #3 (\$ AND % VARIANCE AV vs SALES PRICE)

PARCEL#	CLASS	COND	GRADE	YR BLT	EFF YR	SALE DATE	SALES PRICE	LAND AV	FACT IMP	TOTAL AV	\$ VARIANCE	% VARIANCE
1	510	P	D	1926	1926	8/4/2003	\$74,980.00	17600	25900	43500	(\$31,480.00)	-41.98%
2	510	A	D	1926	1926	10/8/2003	\$165,000.00	14500	85200	99700	(\$65,300.00)	-39.58%
3	510	F	D	1926	1926	9/20/2004	\$89,900.00	15300	48300	63600	(\$26,300.00)	-29.25%
4	510	F	D-1	1926	1926	6/28/2005	\$69,000.00	24600	29100	53700	(\$15,300.00)	-22.17%
5	510	G	D+2	1926	1926	5/27/2003	\$151,189.00	41900	181100	223000	\$71,811.00	47.50%
6	510	F	D-1	1940	1940	9/4/2003	\$50,500.00	12400	37500	49900	(\$600.00)	-1.19%
7	510	F	D	1930	1930	12/2/2003	\$60,000.00	19300	45000	64300	\$4,300.00	7.17%
8	510	A	D	1926	1926	12/19/2003	\$80,000.00	18900	63720	82620	\$2,620.00	3.28%
9	511	A	D	1926	1926	1/30/2004	\$37,000.00	4000	39700	43700	\$6,700.00	18.11%
10	510	A	D+1	1923	1923	2/27/2004	\$84,900.00	19600	71900	91500	\$6,600.00	7.77%
11	510	A	D+2	1962	1962	3/5/2004	\$76,500.00	19600	59000	78600	\$2,100.00	2.75%
12	510	A	D-1	1926	1926	4/15/2004	\$68,280.00	16800	50300	67100	(\$1,180.00)	-1.73%
13	510	F	D-1	1926	1926	5/10/2004	\$45,000.00	11400	42800	54200	\$9,200.00	22.36%
14	510	A	D+2	1926	1926	5/14/2004	\$78,700.00	28800	67500	96300	\$17,600.00	21.15%
15	510	A	D	1926	1926	8/6/2004	\$40,280.00	10900	37900	48800	\$8,520.00	21.15%
16	510	F	D+1	1886	1886	3/24/2005	\$95,000.00	28500	70400	98900	\$3,900.00	4.10%
17	510	A	D+2	1957	1957	6/29/2005	\$78,000.00	16000	58800	74800	(\$3,200.00)	-4.10%
18	510	A	C-1	1926	1926	6/30/2005	\$149,500.00	23500	124900	148400	(\$1,100.00)	-0.74%
19	510	A	D	1950	1950	10/12/2005	\$92,000.00	15600	77600	93200	\$1,200.00	1.30%
20	510	F	D+1	1926	1926	12/14/2005	\$78,001.00	16500	67400	83900	\$5,899.00	7.56%

NOTE:

\$ VARIANCE

A positive number represents the dollar amount that the property is overassessed per its sales price
A negative number represents the dollar amount that the property is underassessed per its sales price

% VARIANCE

A positive number represents the percentage amount that the property is overassessed per its sales price
A negative number represents the percentage amount that the property is underassessed per its sales price

HANDOUT #4 (EFFECTIVE YEAR CALCULATIONS FOR SOLD PROPERTIES)

CURRENT INFORMATION (SOLD PROPERTIES)

PARCEL#	CLASS	COND	GRADE	YR BLT	EFF YR	LAND AV	REP COST	DEP.	REM		TRUE TAX		Sales Price	\$ VARIANCE
									VALUE	FACT	VALUE	TOT AV		
1	510	P	D	1926	1926	17600	58530	75%	14630	1.65	25900	43500	\$74,980.00	\$31,480.00
2	510	A	D	1926	1926	14600	96270	50%	48140	1.65	85200	99700	\$165,000.00	\$65,300.00
3	510	F	D	1926	1926	15300	77880	65%	27260	1.65	48300	63600	\$89,900.00	\$26,300.00
4	510	F	D-1	1926	1926	24600	46930	65%	16420	1.65	29100	53700	\$69,000.00	\$15,300.00

ADJUSTMENT CALCULATIONS

Formula:

Sales price or Desired Value

True Tax Value		Remainder Value		Difference		Reference Dep Amount on Dep. Tables to obtain newly calculated EFF YR to get calc
minus Land AV	= True Tax Value	divided by Mkt Factor	= Remainder Value	minus Replacement Cost	= Difference	

1	74,980	57,380	34,780	-23,750	40% and Avg Cond cross references to actual age of 46-50 1999 - 48 = 1951 eff yr
	minus 17,600	divided by 1.65	minus 58,530	divided by 58,530	
	= 57,380		= -23,750		
2	165,000	150,500	91,210	-5,060	5% and Avg Cond cross references to actual age of 3 1999 - 3 = 1996 eff yr
	minus 14,500	divided by 1.65	minus 96,270	divided by 96,270	
	= 150,500		= -5,060		

What are your calculations for #3

What are your calculations for #4

REVISED INFORMATION (SOLD PROPERTIES)

PARCEL#	CLASS	COND	GRADE	YR BLT	EFF YR	LAND AV	REP COST	DEP.	REM		TRUE TAX		Sales Price	\$ VARIANCE
									VALUE	FACT	VALUE	TOT AV		
1	510	A	D	1926	1951	17600	58530	40%	35120	1.65	57950	75550	\$74,980.00	(\$670.00)
2	510	A	D	1926	1996	14500	96270	5%	91460	1.65	150900	165400	\$165,000.00	(\$400.00)
3	510		D	1926		15300	77880			1.65			\$89,900.00	
4	510		D-1	1926		24600	46930			1.65			\$69,000.00	

HANDOUT #5 (EFFECTIVE YEAR CALCULATIONS FOR NON-SOLD PROPERTIES)

CURRENT INFORMATION (NON-SOLD PROPERTIES)

DESIRED VALUE IS BASED UPON OUR ANALYSIS OF \$70.00 PER SQ FT OF FINISHED LIVING AREA

PARCEL#	CLASS	SQ. FT	COND	GRADE	YR BLT	EFF YR	LAND AV	REP COST	DEP.	REM VALUE	FACT	TRUE TAX VALUE	TOT AV	Desired Value	\$ VARIANCE
A	510	3044	A	D	1926	1926	30000	122340	50%	61170	1.77	108300	138300	\$213,000.00	\$74,700.00
B	510	922	A	D-1	1950	1950	23600	58460	40%	35080	1.77	62100	85700	\$64,500.00	(\$21,200.00)
C	510	1920	P	D	1926	1926	16400	82020	75%	20510	1.77	36300	52700	\$134,400.00	\$81,700.00

ADJUSTMENT CALCULATIONS (UTILIZING OUR NEW FACTOR OF 1.65)

Formula:

Sales price or Desired Value		True Tax Value		Remainder Value		Difference		Reference Dep Amount	
minus		divided by		minus		divided by		on Dep. Tables to obtain	
Land AV		Mkt Factor		Replacement Cost		Remainder Value		newly calculated EFF YR	
= True Tax Value		= Remainder Value		= Difference		= Dep Amount		to get calc	
A	213,000	183,000	103,400	-11,440	-11,440	9% and Avg Cond			
	minus	divided by	minus		divided by	cross references to			
	30,000	1.65	122,340		122,340	actual age of 7			
	= 183,000		= -11,440		9.40%	1999 - 7 = 1992 eff yr			
B	64,500	40,900	24,790	-33,670	-33,670	58% depreciation is greater			
	minus	divided by	minus		minus	than the current depreciation			
	23,600	1.65	58,460		58,460	Need to apply obsolescence			
	= 40,900		= -33,670		58.00%	Apply approx. 30% OBS			

What would the depreciation change to if you changed the condition to Fair
What would the depreciation change to if you changed the condition to poor

What are your calculations for C

REVISED INFORMATION (SOLD PROPERTIES)

PARCEL#	CLASS	SQ. FT	COND	GRADE	YR BLT	EFF YR	LAND AV	REP COST	DEP.	REM VALUE	FACT	TRUE TAX VALUE	TOT AV	Desired Value	\$ VARIANCE
A	510	3044	A	D	1926	1985	30000	122340	9%	111330	1.65	183700	213700	\$213,000.00	(\$700.00)
B	510	922	A	D-1	1950	1950	23600	58460	40%	35080	1.65	40510	64110	\$64,500.00	\$390.00
C	510	1920		D	1926		16400	82020			1.65			\$134,400.00	

HANDOUT #6 (CALCULATION OF MARKET ADJUSTMENT FACTOR)
After making adjustments to 4 of our 5 outlier sales

PARCEL#	CLASS	COND	GRADE	YR BLT	EFF YR	LAND AV	IMP AV	SALE DATE	SALES PRICE	SP-Land	IND FACT
1	510	P	D	1926	1926	17600	35120	8/4/2003	\$74,980.00	57380	1.63
2	510	A	D	1926	1926	14500	91460	10/8/2003	\$165,000.00	150500	1.65
3	510	F	D	1926	1926	15300	46730	9/20/2004	\$89,900.00	74600	1.60
4	510	F	D-1	1926	1926	24600	25810	6/28/2005	\$69,000.00	44400	1.72
5	510	G	D+2	1926	1926	41900	102368	5/27/2003	\$151,189.00	109289	1.07
6	510	F	D-1	1940	1940	12400	21184	9/4/2003	\$50,500.00	38100	1.80
7	510	F	D	1930	1930	19300	25461	12/2/2003	\$60,000.00	40700	1.60
8	510	A	D	1926	1926	18900	36000	12/19/2003	\$80,000.00	61100	1.70
9	511	A	D	1926	1926	4000	22434	1/30/2004	\$37,000.00	33000	1.47
10	510	A	D+1	1923	1923	19600	40658	2/27/2004	\$84,900.00	65300	1.61
11	510	A	D+2	1962	1962	19600	33355	3/5/2004	\$76,500.00	56900	1.71
12	510	A	D-1	1926	1926	16800	28421	4/15/2004	\$68,280.00	51480	1.81
13	510	F	D-1	1926	1926	11400	24211	5/10/2004	\$45,000.00	33600	1.39
14	510	A	D+2	1926	1926	28800	38158	5/14/2004	\$78,700.00	49900	1.31
15	510	A	D	1926	1926	10900	21447	8/6/2004	\$40,280.00	29380	1.37
16	510	F	D+1	1886	1886	28500	39803	3/24/2005	\$95,000.00	66500	1.67
17	510	A	D+2	1957	1957	16000	33224	6/29/2005	\$78,000.00	62000	1.87
18	510	A	C-1	1926	1926	23500	70592	6/30/2005	\$149,500.00	126000	1.78
19	510	A	D	1950	1950	15600	43882	10/12/2005	\$92,000.00	76400	1.74
20	510	F	D+1	1926	1926	16500	38092	12/14/2005	\$78,001.00	61501	1.61

Factor with all 20 parcels included

818,409

1,288,030

1.57

Adjusted factor excluding parcel 5

716,041

1,178,741

1.65

HANDOUT # 7 RATIO STUDY (REVISED)
Utilizing our adjusted Factor of 1.65

PARCEL#	CLASS	COND	GRADE	YR BLT	EFF YR	SALE DATE	SALES PRICE	LAND AV	FACT IMP	TOTAL AV	ASS/SP	VAR
1	510	A	D	1926	1951	8/4/2003	\$74,980.00	17600	57950	75550	1.01	0.002589
2	510	A	D	1926	1996	10/8/2003	\$165,000.00	14500	150900	165400	1.00	0.002589
3	510	A	D	1926	1951	9/20/2004	\$89,900.00	15300	77100	92400	1.03	0.022796
4	510	A	D-1	1926	1944	6/28/2005	\$69,000.00	24600	42590	67190	0.97	0.031245
5	510	G	D+2	1926	1926	5/27/2003	\$151,189.00	41900	168900	210800	1.39	0.389268
6	510	F	D-1	1940	1940	9/4/2003	\$50,500.00	12400	34950	47350	0.94	0.067389
7	510	F	D	1930	1930	12/2/2003	\$60,000.00	19300	42010	61310	1.02	0.01682
8	510	A	D	1926	1926	12/19/2003	\$80,000.00	18900	59400	78300	0.98	0.026263
9	511	A	D	1926	1926	1/30/2004	\$37,000.00	4000	37020	41020	1.11	0.103636
10	510	A	D+1	1923	1923	2/27/2004	\$84,900.00	19600	67090	86690	1.02	0.01607
11	510	A	D+2	1962	1962	3/5/2004	\$76,500.00	19600	55040	74640	0.98	0.029327
12	510	A	D-1	1926	1926	4/15/2004	\$68,280.00	16800	46890	63690	0.93	0.072236
13	510	F	D-1	1926	1926	5/10/2004	\$45,000.00	11400	39950	51350	1.14	0.136098
14	510	A	D+2	1926	1926	5/14/2004	\$78,700.00	28800	62960	91760	1.17	0.160933
15	510	A	D	1926	1926	8/6/2004	\$40,280.00	10900	35390	46290	1.15	0.144192
16	510	F	D+1	1886	1886	3/24/2005	\$95,000.00	28500	65670	94170	0.99	0.01375
17	510	A	D+2	1957	1957	6/29/2005	\$78,000.00	16000	54820	70820	0.91	0.097064
18	510	A	C-1	1926	1926	6/30/2005	\$149,500.00	23500	116480	139980	0.94	0.066692
19	510	A	D	1950	1950	10/12/2005	\$92,000.00	15600	72400	88000	0.96	0.048491
20	510	F	D+1	1926	1926	12/14/2005	\$78,001.00	16500	62850	79350	1.02	0.012282

MEDIAN 1.01
COD 7.27%
PRD 1.00

HANDOUT #8 (\$ AND % VARIANCE AV vs SALES PRICE)
UTILIZING OUR ORIGINAL FACTOR OF 1.77

PARCEL#	CLASS	COND	GRADE	YR BLT	EFF YR	SALE DATE	SALES PRICE	LAND AV	FACT IMP	TOTAL AV	\$ VARIANCE	% VARIANCE
1	510	P	D	1926	1926	8/4/2003	\$74,980.00	17600	25900	43500	(\$31,480.00)	-41.98%
2	510	A	D	1926	1926	10/8/2003	\$165,000.00	14500	85200	99700	(\$65,300.00)	-39.58%
3	510	F	D	1926	1926	9/20/2004	\$89,900.00	15300	48300	63600	(\$26,300.00)	-29.25%
4	510	F	D-1	1926	1926	6/28/2005	\$69,000.00	24600	29100	53700	(\$15,300.00)	-22.17%
5	510	G	D+2	1926	1926	5/27/2003	\$151,189.00	41900	181100	223000	\$71,811.00	47.50%
6	510	F	D-1	1940	1940	9/4/2003	\$50,500.00	12400	37500	49900	(\$600.00)	-1.19%
7	510	F	D	1930	1930	12/2/2003	\$60,000.00	19300	45000	64300	\$4,300.00	7.17%
8	510	A	D	1926	1926	12/19/2003	\$87,000.00	18900	63720	82620	\$2,620.00	3.28%
9	511	A	D	1926	1926	1/30/2004	\$37,000.00	4000	39700	43700	\$6,700.00	18.11%
10	510	A	D+1	1923	1923	2/27/2004	\$84,900.00	19600	71900	91500	\$6,600.00	7.77%
11	510	A	D+2	1962	1962	3/5/2004	\$76,500.00	19600	59000	78600	\$2,100.00	2.75%
12	510	A	D-1	1926	1926	4/15/2004	\$68,280.00	16800	50300	67100	(\$1,180.00)	-1.73%
13	510	F	D-1	1926	1926	5/10/2004	\$45,000.00	11400	42800	54200	\$9,200.00	20.44%
14	510	A	D+2	1926	1926	5/14/2004	\$78,700.00	28800	67500	96300	\$17,600.00	22.36%
15	510	A	D	1926	1926	8/6/2004	\$40,280.00	10900	37900	48800	\$8,520.00	21.15%
16	510	F	D+1	1886	1886	3/24/2005	\$95,000.00	28500	70400	98900	\$3,900.00	4.11%
17	510	A	D+2	1957	1957	6/29/2005	\$78,000.00	16000	58800	74800	(\$3,200.00)	-4.10%
18	510	A	C-1	1926	1926	6/30/2005	\$149,500.00	23600	124900	148400	(\$1,100.00)	-0.74%
19	510	A	D	1950	1950	10/12/2005	\$92,000.00	15600	77600	93200	\$1,200.00	1.30%
20	510	F	D+1	1926	1926	12/14/2005	\$78,001.00	16500	67400	83900	\$5,899.00	7.56%
Total AV										1,659,720		

UTILIZING OUR REVISED FACTOR OF 1.65

PARCEL#	CLASS	COND	GRADE	YR BLT	EFF YR	SALE DATE	SALES PRICE	LAND AV	FACT IMP	TOTAL AV	\$ VARIANCE	% VARIANCE
1	510	A	D	1926	1951	8/4/2003	\$74,980.00	17600	57950	75550	\$570.00	0.76%
2	510	A	D	1926	1996	10/8/2003	\$165,000.00	14500	150900	165400	\$400.00	0.24%
3	510	A	D	1926	1951	9/20/2004	\$89,900.00	15300	77100	92400	\$2,500.00	2.78%
4	510	A	D-1	1926	1944	6/28/2005	\$69,000.00	24600	42590	67190	(\$1,810.00)	-2.62%
5	510	G	D+2	1926	1926	5/27/2003	\$151,189.00	41900	168900	210800	\$59,611.00	39.43%
6	510	F	D-1	1940	1940	9/4/2003	\$50,500.00	12400	34950	47350	(\$3,150.00)	-6.24%
7	510	F	D	1930	1930	12/2/2003	\$60,000.00	19300	42010	61310	\$1,310.00	2.18%
8	510	A	D	1926	1926	12/19/2003	\$80,000.00	18900	59400	78300	(\$1,700.00)	-2.13%
9	511	A	D	1926	1926	1/30/2004	\$37,000.00	4000	37020	41020	\$4,020.00	10.86%
10	510	A	D+1	1923	1923	2/27/2004	\$84,900.00	19600	67090	86690	\$1,790.00	2.11%
11	510	A	D+2	1962	1962	3/5/2004	\$76,500.00	19600	55040	74640	(\$1,860.00)	-2.43%
12	510	A	D-1	1926	1926	4/15/2004	\$68,280.00	16800	46890	63690	(\$4,590.00)	-6.72%
13	510	F	D-1	1926	1926	5/10/2004	\$45,000.00	11400	39950	51350	\$6,350.00	14.11%
14	510	A	D+2	1926	1926	5/14/2004	\$78,700.00	28800	62960	91760	\$13,060.00	16.56%
15	510	A	D	1926	1926	8/6/2004	\$40,280.00	10900	35390	46290	\$6,010.00	14.92%
16	510	F	D+1	1886	1886	3/24/2005	\$95,000.00	28500	66670	94170	(\$830.00)	-0.87%
17	510	A	D+2	1957	1957	6/29/2005	\$78,000.00	16000	54820	70820	(\$7,180.00)	-9.21%
18	510	A	C-1	1926	1926	6/30/2005	\$149,500.00	23500	116480	139980	(\$9,520.00)	-6.37%
19	510	A	D	1950	1950	10/12/2005	\$92,000.00	15600	72400	88000	(\$4,000.00)	-4.35%
20	510	F	D+1	1926	1926	12/14/2005	\$78,001.00	16500	62850	79350	\$1,349.00	1.73%
TOTAL AV										1,726,060		
Increased AV										66,340		

NOTE:
\$ VARIANCE A positive number represents the dollar amount that the property is overassessed per its sales price
A negative number represents the dollar amount that the property is underassessed per its sales price
% VARIANCE A positive number represents the percentage amount that the property is overassessed per its sales price
A negative number represents the percentage amount that the property is underassessed per its sales price

Table B-3.—Residential Depreciation Chart- Quality Grade "C"

ACTUAL AGE	RESIDENTIAL DEPRECIATION CHART - QUALITY GRADE "C"					
	CONDITION RATING					
	Very Poor	Poor	Fair	Average	Good	Excellent
1	95	5	3	2	1	1
2	95	8	4	2	2	1
3	95	10	5	3	2	2
4	95	11	6	3	3	2
5	95	12	7	4	3	3
6	95	14	8	5	4	3
7	95	15	9	6	5	4
8	95	16	10	7	6	5
9	95	17	11	8	7	6
10	95	18	12	9	8	7
11	95	20	13	10	9	7
12	95	21	14	11	10	8
13	95	22	15	12	11	9
14	95	23	16	13	12	9
15	95	24	17	14	13	10
16	95	25	18	15	14	11
17	95	26	20	16	15	12
18	95	27	21	17	16	12
19	95	28	22	18	16	13
20	95	29	25	20	17	14
21-25	95	30	26	22	19	15
26-30	95	32	28	24	22	17
31-35	95	36	30	26	24	19
36-40	95	40	34	28	26	20
41-45	95	45	38	30	28	22
46-50	95	50	40	35	30	24
51-60	95	55	45	40	35	25
61-70	95	60	47	42	37	28
Over 70	95	65	50	45	40	30

Table B-4.—Residential Depreciation Chart- Quality Grade "D" "E"

RESIDENTIAL DEPRECIATION CHART - QUALITY GRADE "D" "E"						
ACTUAL AGE	CONDITION RATING					
	Very Poor	Poor	Fair	Average	Good	Excellent
1	95	8	5	3	2	1
2	95	11	8	4	2	2
3	95	12	10	5	3	2
4	95	14	11	6	3	3
5	95	15	12	7	4	3
6	95	17	14	8	5	4
7	95	19	15	9	6	5
8	95	21	16	10	7	6
9	95	23	17	11	8	7
10	95	26	18	12	9	8
11	95	28	20	13	10	9
12	95	30	21	14	11	10
13	95	32	22	15	12	11
14	95	34	23	16	13	12
15	95	36	24	17	14	13
16	95	38	25	18	15	14
17	95	40	26	20	16	15
18	95	42	27	21	17	16
19	95	44	28	22	18	16
20	95	46	29	25	20	17
21-25	95	48	30	26	22	19
26-30	95	50	32	28	24	22
31-35	95	52	36	30	26	24
36-40	95	54	40	34	28	26
41-45	95	56	45	38	30	28
46-50	95	58	50	40	35	30
51-60	95	65	55	45	40	35
61-70	95	70	60	47	42	37
Over 70	95	75	65	50	45	40

Date 8/8/07Course TRENDINGInstructor KEN SURFACE

Name	County	Signature	Printed Name	Level I/II
Bradley Berkemeier	Nexus Group	Bradley A Berkemeier	Bradley A Berkemeier	II
Earlene L. Howard	Montgomery	Earlene L. Howard	Earlene L. Howard	II
Sandy Reynolds	Warren	Sandy Reynolds	Sandy Reynolds	II
Leggy Hudson	Montgomery	Leggy Hudson	Leggy Hudson	II
Jawet K (Jaw) Rolan	Warren	Jawet K (Jaw) Rolan	Jawet K (Jaw) Rolan	II
Kimberly Reynolds	Vanderburgh	Kimberly Reynolds	Kimberly Reynolds	2
Justin Terry Moore	Newton	Justin Terry Moore	Lester Terry Moore	II
Richard E Schultz	Deer Creek Assessments	Richard E Schultz	Richard E Schultz	II
Michael Schultz	Accurate Assessments	Michael Schultz	Michael Schultz	II
Steve Schultz	Accurate Assessments	Steve Schultz	Steve Schultz	II
Bobby J. Keith	Ohio	Bobby J. Keith	Bobby J. Keith	II
Mary Kaye Jones	Miami	Mary Kaye Jones	Mary Kaye Jones	II
Sara McAliffe	Miami	Sara McAliffe	Sara McAliffe	II
GEORGIA JONES	TIPPECANOE	GEORGIA JONES	GEORGIA JONES	II
Nancy A. Dennis	Putnam	Nancy A. Dennis	Nancy A. Dennis	II
CHEPPLE HEATH	MADISON	CHEPPLE HEATH	CHEPPLE HEATH	II
VERA WIGGUM	MADISON	VERA WIGGUM	VERA WIGGUM	II
Michael Clough	Nexus Group	Michael Clough	Michael Clough	II
Nancy Dennis-Purvis	Allen	Nancy Dennis-Purvis	Nancy Dennis-Purvis	II
Justin W Reynolds	Orange	Justin W Reynolds	Justin W Reynolds	II
Linda Reynolds	Orange	Linda Reynolds	Linda Reynolds	II

Sign In Sheet

Course RENDINGDate 8/8/07Instructor KEN SURFACE

Name	County	Signature	Printed Name	Level III
Judy Sharp	Monroe	Judy Sharp	Judith A. Sharp	II
Gary Anderson	Grant	Gary Anderson	Gary Anderson	II
Teresa K. Topping	Grant	Teresa K. Topping	Teresa K. Topping	II
Nancy Leming	Grant	Nancy Leming	Nancy Leming	II
Bob Blessing	Bremerman	Bob Blessing	Bob Blessing	II
Margaret Hoffman	Jefferson	Margaret Hoffman	MARGARET HOFFMAN	II
Julie Riley	Jefferson	Julie Riley	Julie Riley	II
Linda Greene	Jefferson	Linda Greene	Linda Greene	PTABOA
Kenneth Anderson	Owen	Kenneth Anderson	Kenneth Anderson	II
Dennis G. Eaton	Davies	Dennis G. Eaton	Dennis G. Eaton	II
Leeanna Ratliff	Monroe	Leeanna Ratliff	Leeanna Ratliff	II
Anita Greenman	Monroe	Anita Greenman	Anita Greenman	2
Neely Drumm	Monroe	Neely Drumm	Neely Drumm	II
Michelle Graham	Monroe	Michelle Graham	Michelle Graham	II
Suzanne Villareal	Fork	Suzanne Villareal	Suzanne Villareal	II
Beth Szeweda	St. Joseph	Beth Szeweda	Beth A. Szeweda	II
Wicki Marchino	Davies	Wicki Marchino	Wicki Marchino	II
Connie Ray	Davies	Connie Ray	Connie Ray	II
Michael R. Schulte	LaPorte	Michael R. Schulte	Michael R. Schulte	II
CONNIE LUTE	LaPorte	Connie Lute	CONNIE LUTE	—
Jennifer Isbell	Tippecanoe	Jennifer Isbell	JI	I/II

Instructor

Ker Surface

Date

Course

TRENDING

Name	County	Signature	Printed Name	Level I/II/III
Doug Meador	Floyd	<i>Doug Meador</i>	Doug Meador	II
Lori Carney	LAGRANGE	<i>Lori Carney</i>	Lori Carney	II
Chris Sommes	Jackson	<i>Chris Sommes</i>	D. Christine Sommes	I
BEV GAITER	Jackson	<i>Bev Gaiter</i>	BEV. GAITER	II
Nadine Burcham	Jackson	<i>Nadine Burcham</i>	Nadine Burcham	II
Diana L Baker	Union	<i>Diana L Baker</i>	Diana L. Baker	II
Sharon Halcomb	Franklin	<i>Sharon Halcomb</i>	Sharon Halcomb	II
Debbie Schaeffer Kette	Franklin	<i>Debbie Schaeffer Kette</i>	Debbie Schaeffer Kette	II
Eric Smith	Allen	<i>Eric Smith</i>	Eric Smith	II
Vuma Kay Caeter	Rush	<i>Vuma Kay Caeter</i>	Vuma Kay Caeter	II
JoAnn Herbert	Rush	<i>JoAnn Herbert</i>	JoAnn Herbert	II
Lisa Garoffolo	Boone	<i>Lisa Garoffolo</i>	LISA GAROFFOLO	II
Beth Brown	GILTS	<i>Beth Brown</i>	Beth Brown	II
Kim Wetzel	Jennings	<i>Kim Wetzel</i>	Kim Wetzel	II
Jennifer Binkley	Scott	<i>Jennifer Binkley</i>	Jennifer Binkley	II
Teresa Rigby	Scott	<i>Teresa Rigby</i>	Teresa Rigby	II

Instructor

Ken Surface

Date

Course

Trending

Name	County	Signature	Printed Name	Level I/II
Tonya Oberlander	Tippecanoe	Tonya Oberlander	TONYA OBERLANDER	II
GARY UTT	VENDOR	Gary Utt	GARY UTT	II
KATHI S. SMITH	BROWN	Kathi S. Smith	KATHI S. SMITH	I
Jody Hoover	PIKE	Jody Hoover	Jody Hoover	II
Tammy Dyer	PIKE	Tammy Dyer	Tammy Dyer	IV
Sandra Greibel	GIBSON	Sandra Greibel	Sandra Greibel	II
Juanita Beadle	GIBSON	Juanita Beadle	Juanita Beadle	II
Sheila Stonebraker	DEKALB	Sheila Stonebraker	Sheila Stonebraker	II
TAMMY WAESTLER	DEKALB	TAMMY WAESTLER	TAMMY WAESTLER	I
Angela Giesler	DUBOIS	Angela Giesler	Angela Giesler	II
Angela Wilder	WARRICK	Angela Wilder	Angela Wilder	II
PATRICIA RICHES	VERMILION	PATRICIA RICHES	PATRICIA RICHES	II
KAREN JOHNSON	VERMILION	KAREN JOHNSON	KAREN JOHNSON	I

Am

Instructor Ken SurfaceCourse TRENDINGDate 8/8/07

Name	County	Signature	Printed Name	Level / III
Richard Forts	Wasco	<i>[Signature]</i>		
Phil Hader	Jefferson	<i>[Signature]</i>	Erbert Hader	90
James E. Alexander	Jefferson	<i>[Signature]</i>	James E. Alexander	II
Jonathan Weaver	Wasco	<i>[Signature]</i>	Jonathan Weaver	II
Brian D. Berg	Marion	<i>[Signature]</i>	Brian D. Berg	II
Greg Bowers	Marion	<i>[Signature]</i>	Greg Bowers	II
Maurice Cox	"	<i>[Signature]</i>	MAURICE Cox	II
Christine Swan	St Joseph	<i>[Signature]</i>	Christine Swan	II
Kristie Miller	St Joe	<i>[Signature]</i>	Kristie Miller	II
Jeff Wenzel	Nexus	<i>[Signature]</i>		II
Vicky Kent Haire	Clark	<i>[Signature]</i>	Vicky Kent Haire	I
Michelle Hudson	Greene	<i>[Signature]</i>	Michelle Hudson	
Nancy Sellenberger	Greene	<i>[Signature]</i>	Nancy Sellenberger	II
Richard Petreca	Marion	<i>[Signature]</i>	Richard Petreca	II
Lorena Stepro	Harrison	<i>[Signature]</i>	LORENA STEPPO	II
Kathy Haub	Harrison	<i>[Signature]</i>	KATHY HAUB	-
Donna Michel	Tipton	<i>[Signature]</i>	Donna Michel	
Linda Altherr	Tipton	<i>[Signature]</i>	Linda Altherr	II
A. Peter Amundson	Nexus	<i>[Signature]</i>	A. Peter Amundson	II
Brian Bowers	Xsosa	<i>[Signature]</i>	Brian Bowers	II
Dan Spiver	Vendor	<i>[Signature]</i>	DAN SPIVER	II

Instructor Ken Surface

Sign In Sheet

Date 8/8/07

Course TRENDING

Name	County	Signature	Printed Name	Level III
Jill EBBERT	HANCOCK	Jill Ebert	Jill EBBERT	II
DAVID SIEFERS	HANCOCK	David Sievers	David SIEFERS	II
Carole S. MAYNARD	HANCOCK	Carole S. Maynard	Carole S. MAYNARD	II
DONALD L. BARNET	FLOYD	Donald L. Barnett	Donald L. BARNET	II
Patricia Byrd	Adams	Patricia Byrd	Patricia Byrd	II
J. Marlene Ebert	Adams	J. Marlene Ebert	J. Marlene Ebert "Molly"	I
Judith E. Affolder	Adams	Judith E. Affolder	Judith E. Affolder	II
Susan Nungester	EUGENE	Susan Nungester	Susan Nungester	II
Scott Woodward	Porter	Scott Woodward	Scott WOODWARD	II
Robin Lea Schultz	Porter	Robin Lea Schultz	Robin Lea Schultz	II
Shirley LaFever	Porter	Shirley LaFever	Shirley LaFever	II
Dave Schaad	HENDRICKS	Dave Schaad	Dave Schaad	II
MICHAEL WATKINS	HENDRICKS	Michael Watkins	MICHAEL WATKINS	II
JULIE HARGER	Hendricks	Julie Harger	JULIE HARGER	II
Lisa Gonzalez	Tax Agent	Lisa Gonzalez	Lisa Gonzalez	I
Tom McDonald	Boone	Tom McDonald	Tom McDonald	II
Jane Wood	Franklin	Jane A. Wood	Jane A. Wood	II
JUDITH A LEEK		Judith A Leek	JUDITH A LEEK	II

2007 Winter Conference

January 16 – 20, 2007

TRENDING:

"A whole lot more than just new Factors"

Presented by Ken Surface
Director, Nexus Group

Course Outline

- This course will cover:
 - Discussion regarding the work that is needed to be completed to properly trend all types of properties prior to calculating the basic residential market factors and submitting a ratio study

Course Outline

- We will review:
 - Sales Disclosure Investigation
 - Neighborhood Arrangements
 - Land Value Determination
 - Residential Improvement Assessments
 - Outlier Resolutions
 - C & I Trending Techniques

Course Outline

- This course will not cover how to calculate market adjustment factors and the completion of a ratio study
- A handout will be distributed demonstrating that despite being within standard, market adjustment factors can still lead to improper assessments
- This handout will emphasize the need to review residential properties and not just rely on calculated factors.

Our Goal ????

- Question:
 - What is the bottom line Goal that we hope to achieve through the completion of the trending process that is now required of assessors every year?

Our Goal ????

- Answer:
 - Hopefully, establish a true tax value as of the valuation date, for 2007 assessments it will be 1-1-06
 - Narrow the disparity between assessment values and purchase prices
 - Narrow the disparity between assessment values and market values for non-sold properties

Our Goal????

- Question:
 - Will applying the current cost approach methods as outlined in the manual allow us to achieve our goal?

Our Goal????

- Answer:
 - Unlikely – The cost approach is unlikely to yield a True Tax Value since the unadjusted costs are based upon cost estimates from 1999.
 - Utilizing these unadjusted costs will require either a large factor and/or overvalued land to get assessments close to value as of 1-1-06

True Tax Value Definition

- True Tax Value Defined as:
 - *“The market value-in-use of a property for its current use, as reflected by the utility received by the owner or a similar user, from the property”.*

Assessor Responsibility

- Page 2 of the 2002 Real Property Assessment Manual defines the assessors responsibility.
 - True Tax Value – *"It is this definition, therefore, that sets the standard upon which assessments may be judged. Although this assessment manual provides general rules for assessing property, situations may arise that are not explained or that result in assessments that may be inconsistent with this definition. In those cases the assessor shall be expected to adjust the assessment to comply with this definition and may ask the State Board to consider additional factors, pursuant to IC 6-1.1-31-5".*

Pro's & Con's of the Manual

- Pro's
 - Manual will provide you basic cost approach methods that will allow to start with a base assessment for improvements.
 - Manual will provide you various means and methods to value land.
 - Manual will provide you various tables to calculate depreciation, etc.

Pro's & Con's of the Manual

- Con's
 - The Manual is set up to apply a valuation per the cost approach and not a sales approach or an income approach (i.e. its market value)
 - The manual reflects 1999 cost tables and not the current trending assessment year
 - Land valuation methods as outlined in the manual are merely basic calculations and may not necessarily give you the proper land value per sales information
 - Depreciation tables do not and can not distinguish between market areas within your own county

Court Decisions

- There have been many recent court rulings referring to the "bottom line value" versus the manuals cost approach to value.

Court Decisions

- 3 recent decisions that have ruled the "bottom line" value is what is important and not necessarily the methodology used by the assessor.
 - *O'Donell v. Department Local Government Finance (Ind Tax, 9/21/2006)*
 - *Kooshtard Property VI, LLC v. White River Township Assessor (Ind Tax, 11/3/2005)*
 - *Eckerling v. Wayne Township Assessor (Ind Tax, 2/2/2006)*

Sales Disclosure Investigation

- Sales Disclosures drive the entire trending process
 - It is hard to trend, if not impossible without good sales data.
 - Each sales needs to be reviewed for complete list of parcels involved and validity.
 - This needs to be done immediately – not a year later, when you are starting your factor calculations
 - Large Discrepancies (+ or – 40% from current AV) need to have the property reviewed immediately. Why the big difference?

Sales Disclosure Investigation

- Validation:
 - Just data basing sales disclosures is not enough – garbage in = garbage out
 - SDF's need to be validated and data based accurately per property class, etc.
 - You can not just in-validate every sale that you don't like
 - For sales that are determined not to be valid – indicate a reason in the database
 - The DLGF is putting an enormous emphasis on matching the number from the SDF database to what is used on ratio studies

NBHD Arrangements

- Past practice for many residential areas is to have arranged neighborhoods by legal description, meets & bounds, street names, etc.
- Residential neighborhoods need to be arranged by improvement types (examples)
 - Style
 - Duplex's
 - Mobile Homes
 - Rentals
 - Age
 - Grades

NBHD Arrangements

- Geographic neighborhoods are suitable for residential properties if the house style / age is similar
- Failure to delineate your properties accordingly will lead to inaccurate assessments
- Sales of like properties need to be trended and applied to comparable properties

NBHD Arrangements

- Commercial & Industrial properties should probably remain arranged by geographic areas
 - Within these geographic areas, you can arrange based upon lot sizes, road frontage
 - Influences can be applied to the base rates to adjust accordingly. (we will discuss this further, later in the class)

NBHD Arrangements

- Utilizing use type to define a neighborhood sometimes works better than defining neighborhoods by geographic areas
 - Fast food establishments
 - Convenience markets/gas stations
 - Apartments
 - Industrial

Land Value Determination

- Land Values need to be looked at each year with trending
 - The general tendency is still to undervalue land
 - Vacant sales are golden but many times hard to come by, unless it is a new subdivision
 - Failure to adjust the land accordingly will just lead to larger market adjustment factors being applied to the improvements
 - The larger the improvement factors, the greater the chance for inaccurate assessments

Land Value Determination

- Question:
 - Which land pricing method is the best to use?
 - Front Foot
 - Acreage
 - Square Footage
 - Lot Value

Land Value Determination

- Answer:
 - The one that gives you the best assessment per the property's market value
 - Don't get caught up in the pricing method, but concentrate your efforts more on the values you achieve
 - Only have one pricing method for each neighborhood
 - If the lot sizes vastly differ, maybe they should be in a different neighborhood
 - Use Influence factors (both + & - influences)
 - Residential land should be 12 – 18% of total sales price (minimum). More desirous locations (lakes, college campus areas, etc, this percentage will be a lot greater
 - Don't make it more difficult than it has to be

Land Value Determination

- Land Values need to reflect what the total properties market value is worth
- Commercial Land per the manual breaks land out into 4 categories
 - Primary
 - Secondary
 - Undeveloped/Usable
 - Undeveloped/Unusable

Land Value Determination

- Your goal is to assess the entire lot at its market value
 - We have found that applying the same land rate for primary, secondary, and undeveloped/usable works the best to arrive at true tax value
 - Influences may have to be given to certain properties to bring them in-line with their market value
 - Additional neighborhoods may have to be created if certain lots are significantly different than the norm for your neighborhood.

Land Value Determination

- The same land rate for each category will assist you in establishing a true tax value
 - Appeal discussions will be concentrated on what is the "bottom line value for the land"
 - It won't be focused on how an "X" amount of acres are used
 - Influences based upon improvements types or corner lots can be applied to arrive at a true tax value

Residential Improvement Assessing

- Despite a general reassessment not being ordered, selected residential areas should be reviewed annually for accuracy bringing them in line with their purchasing prices.
- Sales Chasing
 - I'm sure many of you have felt like you are doing this

Residential Improvement Assessing

- Sales Chasing
 - Common Questions asked, "Isn't adjusting assessments based on the sale price, sales chasing?"
 - The answer is "NO" Sales chasing occurs when only the properties that sold are the ones that are adjusted.
 - If you take what you have learned from the properties that sold and apply that to the unsold properties as well, then this is not sales chasing – this becomes assessing

Residential Improvement Assessing

- Assessors need to use the various tools available to them
- Learn from your sales and then apply your knowledge to the other properties
 - Utilize the effective Age
 - Utilize condition
 - Utilize appraisals
 - Utilize previous appeals

Residential Improvement Assessing

- Goal:
 - Remember our goal is create assessments that are similar between sold / unsold property based upon sales & appraisals of similar properties
- Concern:
 - For many of you, there maybe a reluctance to changing effective year as the manual only indicates that this is to be done if there is additional square footage added to the structure.

Residential Improvement Assessing

- Appraisal handout
- Review Sales Ratio Handout
- Page 2 of the 2002 Real Property Assessment Manual
- Court Decisions

Outlier Resolutions

- What are Outliers and what do we do with them?
- Outliers can be categorized in two ways
 - Outlier Sales – Sales that don't make sense
 - Outlier Properties – Properties that are not the norm for a particular NBHD

Outlier Resolution

- Outlier Sales:
 - These will often require a field inspection to determine what is wrong with the assessment or what is wrong with the SDF.
 - MLS / Realtor data can help if available
 - Helps determine basement finish
 - Upgrades (appliances, cabinets, floor covering, etc.)
 - Attic Finishes
 - # of baths, etc
 - This isn't perfect data but often better than the assessors data

Outlier Resolution

- Outlier Properties
 - Certain individual properties that are not the norm for a particular NBHD can be based upon
 - Grade
 - Age
 - Style
 - Lot Size
 - Use
 - Etc.

Outlier Resolution

- You need to make an attempt to compare these to other similar properties even if that means you are going outside of their assigned nbhd
- Resolution of these outliers can be achieved through applying influences, obsolescence or re-assigning to another neighborhood
- Outliers need to be handled on a case by case basis

C & I Trending

- Commercial Review is much the same as Residential improvement review
 - Need to be reviewing a selected number of properties on an annual basis
 - Need to review for use type changes
 - Need to review for renovations that are not necessarily picked up in the new construction process
 - Many counties don't have a building permit system or they have a poor system – this will continue to cause problems as general reassessments will continue to be fewer and fewer

C & I Trending

- Need to review the assessment to the sales price
- Need to establish Income Databases
 - Income & Expenses
 - Leasing Rates
 - Gross Rent Multipliers
- Need to review land rates
 - Land to Building ratio's

C & I Trending

- Need to look into getting more up-to-date cost info
- We find that average commercial costs have risen more than 20% from 1999 to 2005.
- Residential properties don't necessarily need updated cost tables as sales are plentiful and the market adjustment factor is the resolution to the problem
- Commercial property sales are hard to come by and without updated cost tables all newly constructed improvements are probably undervalued from a cost approach

Data Basing

- The more information you can data base the better your future trended years will be.
- You are required to data base sales disclosures
- We have discussed Income Data Basing

Data Basing

- You should also be data basing all appeals
 - Informal appeal changes
 - Appeals handled at the township level
 - Appeals handled at the PTABOA level
 - Appeals handled at the State and Tax Court level

Data Basing

- Appeal data basing will provide you an extensive amount of valuable information
 - You can use the final determined value from the appeal in the same manner as you use sales information
 - This will just increase your sample size and it will now be reflecting properties that did not sell as this is where most of your appeals come from

Data Basing

- Appeal data basing will also eliminate repeated appeals from the same taxpayer in the upcoming year

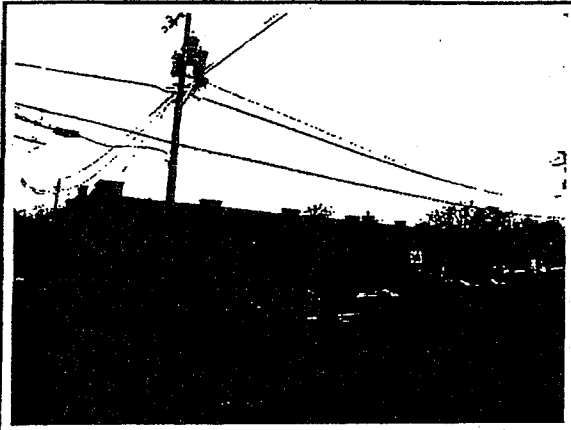
Concerns/Questions

- Does anyone have any special concerns or questions?
- Does anyone have any special stories that they would like to share or discuss?

Thank You

- Contact Information
 - Ken Surface
 - Director, Nexus Group
 - 317-753-5555

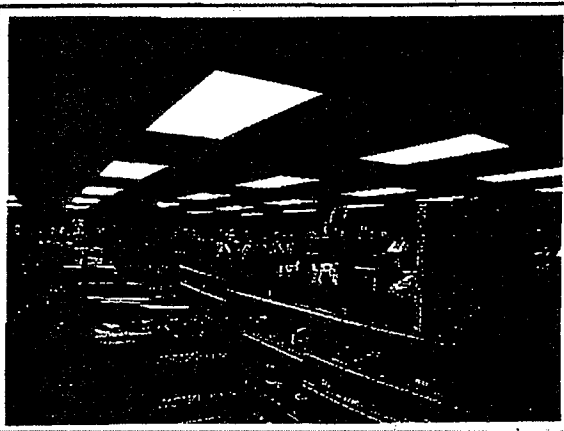
Exterior Building Description - Building Facing 4th Street



Foundation	Concrete Slab
Framing	Brick and Block
Wall Finish	Brick and Block
Roof Cover	Rubber membrane
Gutters/Down Spouts	Aluminum
Windows	Fixed
Doors	Storefront and overhead garage
Parking Lot	Asphalt and Gravel
Sidewalks	Concrete
Landscaping	Typical
Miscellaneous	Covered Entry on West Side
Above Grade GBA	7,689 SF
Below Grade GBA	7,689 SF unfinished

General Condition: According to the assessor's records, the building was originally constructed in 1900. Aside from some new windows along Rogers Street, the building has not been significantly remodeled or renovated within the last five years. The effective age is estimated at 30 years and the remaining useful life is 30 years. The exterior of the building is generally in fair condition for a building of its age. The basement area is exterior access only and includes two loading dock wells for access. The basement showed signs of leaks during the inspection.

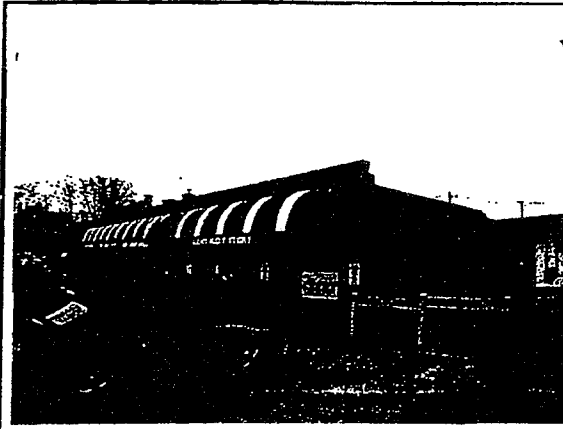
Interior Building Description - Building Facing 4th Street



Wall Finish	Drywall, Block and Brick
Floor Coverings	Carpet and Concrete
Ceiling Finish	Acoustic Tile and Unfinished
Interior Doors	Wood and Metal
Lighting	Florescent and Incandescent
Misc.	Two overhead garage doors
HVAC	GFA w/ wall A/C and susp gas htrs
Water Heater	Yes
Electrical	200 amp, single phase
Security System	No
Sprinklers	No
Specialized Equip.	None

General Condition: The building includes two finished office spaces along Rogers Street and a retail area and a barber shop along 4th Street. The finished area is estimated at 50%. The warehouse portion of the building is unfinished with exposed bow trusses for the roof. The interior of the building is generally in fair condition for a building of its age.

Exterior Building Description - Building Facing Rogers Street



Foundation	Concrete Slab
Framing	Concrete Block
Wall Finish	Painted Block
Roof Cover	Rubber Membrane
Gutters/Down Spouts	Aluminum
Windows	Storefront
Doors	Storefront and Metal
Parking Lot	Asphalt and Gravel Lots
Sidewalks	Concrete
Landscaping	Typical
Miscellaneous	Retail Awnings along 4th Street
Above Grade GBA	3,754 SF (434 SF is unfinished)
Below Grade GBA	None

General Condition: According to the assessor's records, the building was originally constructed in 1955. The building does not appear to have been significantly remodeled or renovated within the last five years. The effective age is estimated at 25 years and the remaining useful life is 35 years. The exterior of the building is generally in average to fair condition for a building of its age.

Interior Building Description - Building Facing Rogers Street



Wall Finish	Drywall, Pegboard and Block
Floor Coverings	Concrete
Ceiling Finish	Tile and Painted Wood
Interior Doors	Wood and Metal
Lighting	Florescent and Incandescent
Misc.	Unfinished Storage Area
HVAC	GFA with A/C
Water Heater	Yes
Electrical	200 amp, single phase
Security System	No
Sprinklers	No
Specialized Equip.	None

General Condition: The interior of the building is used as a retail store and includes display areas, a sales area, changing rooms and a private office with half bath and additional storage. The interior of the building is generally in fair condition for a building of its age.

TRENDING: "A whole lot more than just new factors"

Handout #1

Parcel #	NBHD	Grade	Eff Yr.	Land AV	Imp AV	Total AV	Sale Date	Sales Price	SP - Land	Imp AV	Ind. Factor
#1	nbhd #1	C	1992	30800	74900	105700	3/11/2003	117,242	86,442	74900	1.15
#2	nbhd #1	C+1	1997	39300	170300	209600	7/6/2004	248,000	208,700	170300	1.23
#3	nbhd #1	C	1981	30100	65000	95100	3/18/2005	139,226	109,126	65000	1.68
#4	nbhd #1	C	1960	38500	55500	94000	4/20/2005	129,500	91,000	55500	1.64
#5	nbhd #1	C	1968	26400	85000	111400	6/24/2005	145,000	118,600	85000	1.40
				Totals				778,968	613,868	450,700	1.36

Parcel #	Land AV	IMP AV w/factor	Factored Total AV	Sale Price (AV vs. SP)	\$ Diff	% Diff	Ratio	VAR
#1	30,800	102,016	132,816	117,242	15,574	12%	1.13	0.1523
#2	39,300	231,954	271,254	248,000	23,254	9%	1.09	0.1133
#3	30,100	88,532	118,632	139,226	-20,594	-17%	0.85	0.1284
#4	38,500	75,593	114,093	129,500	-15,407	-14%	0.88	0.0995
#5	26,400	115,773	142,173	145,000	-2,827	-2%	0.98	0.0000

Median 0.98
COD 10.07%
PRD 0.99

Our Median, COD & PRD are all within standard therefore we should be okay to apply the factor and let the assessment be calculated accordingly

You will notice that our individual factors have a range from 1.15 to 1.68 with the average being 1.36 (applied factor). This means that we have a very wide gap in our individual factors, therefore each of the individual sales that fall below or above the average are going to be assessed at a value something different than its selling price.

Despite being within standard, properties can be extremely below or above their market value due as a result in wide gaps in the individual factors

To narrow this gap in individual factors, you need to look at the individual properties and determine why there is such a wide disparity in the sales price and the cost approach to value. You will need to do the following:

1. Does the grade accurately reflect the property
2. Does the effective year accurately reflect the property
3. Does the condition accurately reflect the property
4. Does the land value accurately reflect the property
5. Are the improvements accurately assessed?

The foundations upon which this assessment manual is built are established by the Indiana Constitution and the statutes of the Indiana General Assembly. Article X, Section 1 of the Indiana Constitution requires:

a system of assessment and taxation characterized by uniformity, equality and just valuation based on property wealth, but the Clause does not require absolute and precise exactitude as to the uniformity and equality of each individual assessment.¹

IC 6-1.1-31-6(c) and 6-1.1-31-7(d) further define True Tax Value: "True tax value does not mean fair market value." It is within this structure, and that required by the courts, that True Tax Value, as expressed in this manual, seeks to operate. IC 6-1.1-31-6(c) goes on to state that: "True tax value is the value determined under the rules of the State Board of Tax Commissioners." Given that the courts and statutes do not fully define true tax value, it is incumbent upon the State Board of Tax Commissioners to develop a definition that satisfies both statutory and judicial requirements by providing a definition that measures property wealth, but is not fair market value.

True tax value, therefore, is defined as:

The market value-in-use of a property for its current use, as reflected by the utility received by the owner or a similar user, from the property.

It is this definition, therefore, that sets the standard upon which assessments may be judged. Although this assessment manual provides general rules for assessing property, situations may arise that are not explained or that result in assessments that may be inconsistent with this definition. In those cases the assessor shall be expected to adjust the assessment to comply with this definition and may ask the State Board to consider additional factors, pursuant to IC 6-1.1-31-5, to accomplish this adjustment.

True tax value may be thought of as the ask price of property by its owner, because this value more clearly represents the utility obtained from the property, and the ask price represents how much utility must be replaced to induce the owner to abandon the property. In markets in which sales are not representative of utilities, either because the utility derived is higher than indicated sale prices, or in markets where owners are motivated by non-market factors such as the maintenance of a farming lifestyle even in the face of a higher use value for some other purpose, true tax value will not equal value in exchange. In markets where there are regular exchanges, so that ask and offer prices converge, true tax value will equal value in exchange, except for owner occupied housing units, where true tax value will be equal to the value in

O'Donnell v. Department of Local Government Finance (Ind. Tax, 9/21/2006)

The O'Donnells owned a home in the Briar Ridge subdivision. The subdivision straddled the corporate line between the towns of Dyer & Schererville, thus, some lots were on the Dyer side of Briar Ridge while others were on the Schererville side of Briar Ridge. The O'Donnells lived on the Dyer side of Briar Ridge.

The O'Donnells claimed several errors in the assessment of their land and house. For example: (1) they claimed the land rates and neighborhood factors should have been the same for both the Dyer and Schererville sides of the subdivision, (2) the grade of their home was too high, and (3) several "comparable" homes were assessed lower than their home.

The Tax Court held the O'Donnells "missed the point" and focused only on the methodology used by the DLGF to value their property but did not demonstrate the assessment did not accurately reflect the market value-in-use of their property.

The O'Donnells also argued the assessed value was too high and submitted a 2003 appraisal and 1997 construction cost information to support the argument. The Tax Court held these documents did not show an inaccurate assessment because neither reflected a January 1, 1999 value-in-use.

Kooshtard Property VI, LLC v. White River Township Assessor (Ind. Tax, 11/3/2005)

Kooshtard owned a gas station / convenience store that was built in 1983 and remodeled in 1995. The assessor assigned an effective age of 3 to the building and a condition rating of average. Thus, the building was given 9% physical depreciation.

Kooshtard challenged the effective age. By challenging the effective age, Kooshtard also argued it was entitled to 37% physical depreciation.

The assessor "tweaked" the effective age to take into account Kooshtard's modernization and maintenance of the building and to also make the assessment more in line with the 2001 purchase price of the property.

The Tax Court found that Kooshtard simply made arguments about the methodology employed by the assessor and did not demonstrate the assessed value was not a reasonable measure of market value-in-use.

In a footnote, the Tax Court said the assessor should have perhaps "tweaked" the condition rating instead of the effective age, but a technical failure to comply with the Guidelines did not render the assessment invalid so long as the assessment was a reasonable measure of true tax value.

Eckerling v. Wayne Township Assessor (Ind. Tax, 2/2/2006)

The Eckerlings owned a building that was originally built as a single family residence, but they currently used the property as an office for their company. No changes were made to convert the home into an office.

The assessment was based on the residential pricing guidelines. The Eckerlings argued the building should be priced from the General Commercial Residential (GCR) schedule because the building was used as an office.

The Tax Court ruled that the goal of the assessment system is to ascertain market value-in-use. It is not enough for a taxpayer to show that the assessor did not strictly apply the Guidelines (it is not enough for the taxpayer to focus strictly on the methodology used to arrive at the assessment), but the taxpayer must show the assessment does not reflect market value-in-use.

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

MEMORANDUM

DATE: October 2006

TO: County Assessors

FROM: Barry Wood
Director, Assessment Division

RE: 2006 Ratio Study Issues

50 IAC 21, the annual adjustment rule, requires all county assessors to conduct and submit to the DLGF a county wide ratio study after completion of annual adjustments. To date, the DLGF has received 44 Ratio Studies from throughout the state, with eight receiving approval. The Assessment Division's goal is to review and reply to the county's ratio study submission within two (2) weeks. The reply will either be in the form of an approval of the ratio study or a request for further information needed to review the study.

The following are suggestions and findings that we have found in reviewing the ratio studies:

1. A consolidated spreadsheet will help in our initial analysis and facilitate our review. Please do not submit a separate spreadsheet for each class of property or each township. Our preferred format would be one spreadsheet file with the first tab being a summary worksheet followed by separate tabs for each township. A township tab should show all property classes, or a separate tab for townships grouped together for a specific class. If you have already set-up your information to have tabs by class that would be acceptable too; please minimize the number of files and include a summary spreadsheet.
2. Please include the 2005 pay 2006 gross AV for land and improvements as well as the 2006 pay 2007 AV for land and improvements for all parcels used in the study.
3. In our review, we are comparing the number of sales used in the ratio study with a file analysis of the number of sales that could possibly be used from your data submissions to LSA and our Data Analysis Section. The biggest problem, to date, is the total number of sales significantly exceeding the number of sales being used in the ratio study. Please be sure to remove any duplicate sales (not re-sales, but multiple occurrences with the same date and price). While we

certainly do not expect all sales to be used (i.e. exempt sales, etc.), there are many sales that are not being used. "Trimming," or eliminating sales without a valid reason, is not an acceptable practice. Unless there is specific written notification and approval given for following the IAAO Standard on Ratio Studies on locating extreme outliers (see Section 6.6), all valid sales should be considered. For those classes of property where there are few sales, the IAAO Standard on Ratio Studies gives specific remedies for inadequate sample sizes (see Section 8.4).

4. We understand that certain software packages automatically invalidate or exclude multiple parcel sales; hence, many of those sales are not being included in the ratio study. Any valid sale where an assessment can be compared to the selling price should be considered. Be sure to include multiple parcel sales by summing the assessed values.
5. Land sales with subsequent improvements should also be included by imputing the assessment as vacant.
6. It is also appropriate to expand the range of sale dates to include 2006 and 2003 and earlier years with appropriate time adjustments. If sales are time adjusted, please include the actual sale price in addition to the time adjusted price.
7. Note that 50 IAC 14-3-3 specifically excluded the practice of including performance audits in the trending process, therefore, any inclusion of appraisals must be documented and the IAAO procedure outlined in the IAAO Standard (Section 9.6) must be followed.
8. As of September 30, 2006, the following 10 counties have not submitted sales data to LSA and DLGF for both 2004 and 2005:
 - Bartholomew
 - Boone
 - Brown
 - Floyd
 - Jennings
 - Johnson
 - Knox
 - Scott
 - Shelby
 - Vigo

We will not be able to proceed with the review and analysis of the ratio study for these counties until they are compliant with both years of sales data.

9. For counties that have submitted sales data, please note that non-compliant data may delay the processing of your annual adjustment ratio study. Counties are encouraged to correct or otherwise address non-compliant issues.
10. The sales disclosure file submitted as part of the required data submission to LSA and DLGF from a county should contain the data as it was filed on the original sales disclosure. Therefore, any updated sales data submissions in the future that had changes in sales data caused by re-validation of the sales during the annual adjustment process should not include the changed data. Please contact the Data Analysis Section at data@dlgf.in.gov for compliance issues and questions.
11. Please be sure to use the DLGF township and school district numbers, and not the county's numbers. These are available at http://www.in.gov/dlgf/pdfs/List_of_townships.pdf and <http://www.in.gov/dlgf/pdfs/2002School.pdf>.

12. If necessary, land values could and should be modified (see 50 IAC 21-4-2) before application of annual adjustment factors. For example, we are seeing cases where unimproved classes are significantly below the median or contrary to the sales disclosure file data. The corresponding improved class is also showing a low median but still within the "allowable" range. Adjusting the land value component will most likely bring the values into line.
13. Unimproved land purchased for homesites should be valued at market value unless IC 6-1.1-4-12 "developers" statute applies. The assessments for these parcels may not reach market value based on the method suggested in the guideline (Chapter 2, page 69) unless the assessment is based on an excess acre rate based solely on sales of this type of property and not on traditional ratios (e.g. 15 - 20%). An alternative for reaching market value includes creating an undeveloped homesite rate and applying an undeveloped influence factor to a "homesite" acre; another option is to use a higher than traditional excess rate developed from only building lot sales, and then apply an influence factor to the parcels with dwellings where the excess acreage is inadequate in size or shape to allow for dividing the parcel and developing or selling an additional building lot.
14. The DLGF will be calculating the price related differential although this is not called for in submission under the equalization standard (50 IAC 14-8-1). We will expect the assessing officials to have implemented 50 IAC 21-11-1 (b).
15. The twenty-five (25) parcel limit is not in effect for the annual adjustment process. Any valid sales in townships with fewer than twenty-five (25) parcels in a particular class should be considered with a grouping of similarly assessed properties in another township or class.
16. Although many counties have contracted out the annual adjustment/ratio study process to a vendor, the county is ultimately responsible for the submission of and approval of the ratio study by the DLGF.
17. We would recommend either sending out the "Annual Adjustment" Fact Sheet we sent out in June (and posted on our website at <http://www.in.gov/dlgf/news/annualFS.html>) with your Notices of Assessment, or making it readily available to help answer general questions from taxpayers.

Please contact Barry Wood or Lori Harmon at (317) 232-3773 or e-mail bwood@dlgf.in.gov or lharmmon@dlgf.in.gov if there are questions regarding this memorandum.

Valuing Residential Acreage Parcels Larger Than One Acre

Residential acreage parcels of more than one acre and not used for agricultural purposes are valued using the residential homesite base rate and the excess acreage base rate established by the township assessor. The excess acreage base rate represents the 1999 acreage value of land when purchased for residential purposes. The land value of the subject parcel should represent the January 1, 1999 market value in use in the neighborhood.

If the parcel has a dwelling, one acre is valued using the residential homesite value. The remaining acreage is valued using the excess acreage rate. There must be a residential dwelling unit on the parcel before the homesite acreage rate can be used.

If there is no dwelling unit on the parcel, the amount of acreage in the entire parcel is multiplied by the appropriate excess acre rate. The excess acre base rate represents the 1999 acreage value of the land purchased for residential purposes in this neighborhood. The value of the subject parcel should represent the January 1, 1999 market value in use of the property.

The following examples illustrate how residential acreage is valued for parcels larger than one acre. These examples assume a homesite base rate of \$10,000 (per acre) and an excess acreage base rate of \$1,000 (per acre).

Example 1: A residential parcel has 1.36 acres and a dwelling. The value of the one acre homesite is \$10,000. The value of the excess acreage (1.36 acres – 1 acre = .36 acre) is calculated by multiplying the acreage by the excess acreage base rate (.36 acre x \$1,000 = \$360). The total value of the parcel is the sum of the value of the homesite and the excess acreage (\$10,000 + \$360 = \$10,360 = \$10,400 rounded to the nearest \$100).


Example 2: A residential parcel is vacant and has three acres. Its value is calculated by multiplying the acreage by the excess acreage base rate (3 acres x \$1,000 = \$3,000).

Example 3: A residential parcel has 8 acres and a dwelling. The value of the one acre homesite is \$10,000. The value of the excess acreage (8 acres – 1 acre = 7 acres) is: 7 acres x \$1,000 = \$7,000. The total value of the parcel is: \$10,000 + \$7,000 = \$17,000.



Sales Disclosures

**Barry Wood
DLGF**




Department of
Local Government Finance

Combined Conference – County and Township
Assessors

Sales Disclosures


Assessment Division
Barry Wood
January 2008



Sales Disclosures

- Sales Disclosures – Proposed Changes:
 - Legislative
 - Administrative
 - Information and Education

***Note:** The following information is from a December 7, 2007 report to Senator Kenley, Chairman of the Commission on State Tax and Financing Policy from an Advisory Committee comprised of assessing officials, representatives from the DLGF, the Indiana State Bar Association, and the Indiana Land Title Association.



Proposed Changes

Legislative

1. IC 6-1.1-4.5-2 Strike: (3) Documents for compulsory transactions as a result of foreclosure or express threat of foreclosure, divorce, court order, condemnation, or probate and renumber (4), (5), and (6) as (3), (4), and (5), so that the transactions enumerated in (3) will no longer be exempt from full disclosure

COMMENT: The Assessors draw valuable trending information from foreclosure information regarding neighborhood character and the impact of foreclosure on market value. Also, certain foreclosure transactions may actually be indicative of true present value, adjusted for the character of the transaction such as a fraud or quick sale. Certain transactions as a result of divorce, court order, or probate, such as mandated third-party sales, partitions and the like may well be indicative of true value. In condemnation, it is generally presumed that a taking is based on appraisal of current market value. Mere divisions of property pursuant to divorce, or distribution to heirs from estates, if for no consideration would be excluded as these are not within the definition of a conveyance

NOTE: The DLGF has requested that some express language in bold type be included in the statute so that it is clear that a change has been made which would now require full disclosure of those transactions covered in (3)



Proposed Changes

2. IC 6-1.1-5-3

1.a. Amend the statute to require that a sales disclosure form be filed in connection with every transfer transaction, whether or not the transaction is excluded from the definition of conveyance due to the lack of valuable consideration, or is a charitable transfer, under IC 6-1.1-5-1 or is exempt under IC 6-1.1-5-2. The statute excludes a charitable transfer from the definition of a conveyance and appears to exclude exempt transactions from the requirement of any sales disclosure. It would be necessary to amend the statute to make a charitable transfer a conveyance (see b. and c. below for alternatives regarding charitable transfers and gifts).

MAJORITY REPORT: This change is requested to conform the statute to custom and practice. The present sales disclosure form provides for filing in every conveyance transaction but makes provisions for exemption from any filing fees where a transaction is excluded or exempt and no disclosure of price, financing or other information of that character is required. The Assessors gain valuable information reasonably necessary to conform their records through the process.

MINORITY REPORT: The Marion County Assessor does not agree with the Committee on the issue of requiring a sales disclosure filing for excluded (charitable) or exempt transactions and believes, in such event, that no filing should be required.

4



Proposed Changes

1.b. Alternate 1 Add a proviso that where the transfer is charitable or exempt, the form would be fully completed and should include the value of the gift.

COMMENT: Alternate 1 is proposed by the DLGF and supported by the Assessors, who believe that valuable information can be gained by obtaining gift value.

1.c. Alternate 2 Add a proviso that where a conveyance is charitable in nature or is exempt, that the sales disclosure need not in such event contain the information sought under IC 6-1.1-5-5(13), (14), (15), or (16)(present designations) relationship, price, financing, or other like information.

COMMENT: Alternate 2 is supported by ISBA and ILTA, where a transaction is exempt, it makes no sense to require information which would by its very nature be exempt from disclosure, which would be inconsistent with the intent of the statute in exempting certain transactions.

2. Amend subsection (b) to provide that where there are multiple transferors or transferees involved in a conveyance transaction, one of the transferors and one of the transferees may sign rather than requiring all of the parties to sign.

5



Proposed Changes

COMMENT: In certain circumstances, there may be many parties involved. As a practical matter, the sales disclosure form cannot make provision for multiple signatures and attachments or electronic media adjustments become unwieldy. All parties must be disclosed in the form in any event. The Advisory Committee believes that one transferor and one transferee, signing under penalties for perjury, is sufficient.

3. Amend subsection (b)(2) to insert a new paragraph (A), similar to the following and re-designate existing (A) and (B) as (B) and (C).

(A) the form contains the information required by Sec. 5(a) of the statute as it applies to the conveyance transaction, but the form need not include other information required by the Department of Local Government Finance, subject to the obligation of a party to furnish or correct such information in the manner required by and subject to the penalty provisions of Section 12. The form may not be rejected for failure to contain information other than that required by Sec. 5(a), but it might be supplemented by the party submitting it pursuant to Section 12.

MAJORITY REPORT: The purpose of this provision is to facilitate recording where the form contains all of the requirements expressly called out in the statute but omits additional information which may be asked for by DLGF. Failure of a party to comply with a request for such omitted information within thirty (30) days will result in a penalty being assessed.

MINORITY REPORT: The Marion County Assessor dissents from the Committee on this issue and would require tender of a fully completed and accurate form prior to recording of a transfer document.

6



Proposed Changes

IC 6-1.1-4.5-4

1. Amend IC 6-1.1-5-4(a) to clarify that no fee is due where the transfer is to a charity (excluded from conveyance under IC 6-1.1-5-1) or involves an exempt transaction under IC 6-1.1-5-2.

COMMENT: Since the Advisory Committee recommends that a sales disclosure form including the property description, an affirmative claim of exclusion/exemption, and party information consistent with actual practice, be required for every transaction, although sales price is not reported. However, excluded or exempt transactions should not be subject to a fee.

2. Amend Section 4 to be consistent with the non-Code (fee-free split) provisions - P.L. 245-2003 (Section 37), extended by P.L. 228-2005 (Section 31) which mandates a \$10 fee (requires change to subsection (a)), with a 50/50 split between the County and the State (requires change to subsection (b)).

COMMENT: The statute provides for a \$5 fee and an 80/20 split while the non-Code provisions amend that to a \$10 fee and a 50/50 split. The non-Code provisions should be codified consistent with the actual law and practice.

7



Proposed Changes

IC 6-1.1-5.5-3

Add a new subsection, preferably as new (1) or (2) which requires the legal description of the property and renumber other subparagraphs accordingly.

COMMENT: The legal description is a critical cross-reference to determine the accuracy of tax parcel numbers presented, to determine if the property consists of multiple tax parcels, or is a split parcel. This information is currently required by DLGF and the Assessors on the sales disclosure form and is important enough to the purpose of the statute that it ought to be codified as a requirement.

IC 6-1.1-5.5-4 Amend (a)(2) by replacing it with language similar to the following:

(2) The sales disclosure form does not contain the information required by Sec. 5(a) of the statute as it applies to the conveyance transaction, provided, however, the form need not include other information required by the Department of Local Government Finance, subject to the obligation of a party to furnish or correct such information in the manner required by and subject to the penalty provisions of Section 12.

COMMENT: See Comment to IC 6-1.1-5-3(b)(2)(Recommendation 3). This is to conform this Section to the recommendation of the Committee that information requested at the discretion of DLGF, if not furnished at time of original tender, will not prevent recording of the deed, but failure to furnish that information could subject a party to a penalty if not subsequently furnished.

8



Proposed Changes

IC 6-1.1-5.5-9

IC 6-1.1-4.4-10

Section 9 provides that the sales disclosure form be attested in writing under penalties for perjury. Perjury is a Class C felony. Section 10 provides that a person who intentionally submits false information, or intentionally omits certain information, or a public official who acts similarly, commits a Class A misdemeanor. These two (2) Sections appear to be inconsistent and consideration should be given to amendment of Section 10 to increase the penalties contained in that Section for falsification of information, even though that person may not be a signing party, to a Class C felony consistent with the penalty in Section 9.

COMMENT: Falsification of sales disclosure information, whether by a signing party, another person or an official is a serious offense. The Committee believes that the penalty for doing so ought to be equivalent.

IC 6-1.1-5-12 Delete Section 12(a) to be consistent with the Committee proposal that all conveyances, whether excluded or exempt, require a sales disclosure form and imposes the penalty under subsection (b) on a party who fails to correct an error or omission within thirty (30) days after notice, where recording has been permitted notwithstanding an omission or error. Replace Section 12(a) with a new subsection which provides something similar to the following:

9

262



Proposed Changes

Sec. 12(a). A party to a conveyance who: (1) files a disclosure form which does not contain all of the information required by the form, applicable to that transaction, or files a disclosure form which contains inaccurate information, and who receives written notice from the township assessor in a county containing a consolidated city, or the county assessor in any other county, and (2) fails to file a correct sales disclosure form which fully complies with all of the requirements of this chapter, within thirty (30) days of the date of such notice, is subject to a penalty in the amount determined under subsection (b).

COMMENT: The Advisory Committee has recommended that a sales disclosure form be filed in connection with every conveyance of an interest in real estate, subject to exclusion or exemption from certain disclosures. Also, the Advisory Committee has recommended that the statute be revised to provide that, so long as the items specified by statute are included in the sales disclosure form, recording will be permitted notwithstanding that certain items prescribed by DLGF may be omitted or inaccurate.

Since a sales disclosure form would always be required, then subsection 12(a) is no longer necessary, but since a sales disclosure form might substantially comply if it contains all of the statutorily mandated information, but may not contain information deemed by DLGF to be reasonably necessary for its function, a procedure needs to be constructed to provide for later submission of such information, and a penalty imposed for non-compliance. The Advisory Committee believes that a curative period of thirty (30) days after notice is more than adequate, after which the existing penalty under subsection 12(b) should be imposed and the procedures under 12(c) and (d) would be applicable.

10



Proposed Changes

Multiple Parcels/ Separate Sales Disclosure. The Advisory Committee seeks a specific instruction on this matter from Legislative Services Agency (LSA). It would appear the statutory provisions are ambiguous as to the question. Please note that the Advisory Committee was divided on this issue so that both Majority and Minority Reports are included. If LSA feels that this matter can be handled through the administrative process alone, it is requested that it so advise.

MAJORITY REPORT: In single transactions involving multiple parcels, each parcel would require a separate sales disclosure form. The purchase price for each parcel would in this manner be disclosed, which is important to permit the Assessor to obtain accurate per parcel information from the parties, which otherwise would impose an undue burden on the Assessor to determine and could result in inaccuracies.

NOTE: In transactions involving multiple contiguous tracts being consolidated, the parties could ask the Assessor to consolidate all of the properties into a single tax parcel, so that a future conveyance of the entire real estate would not require multiple sales disclosure forms.

MINORITY REPORT: The Indiana Land Trust Association (ITLA) presents approximately 90% of the sales disclosures in Indiana) dissents from the Majority Report. ITLA agrees that where a single transaction involves multiple noncontiguous tracts, a separate sales disclosure should be filed for each separate tract.

11



Proposed Changes

However, where multiple contiguous tracts are involved, ITLA suggests that one sales disclosure form, listing an aggregate purchase price, but with an additional form page promulgated by DLGF for each purpose, permit merely the listing of each contiguous parcel. ITLA believes that apportionment of value will be no less problematic for the parties, possibly more problematic, and would add undue cost and burden to the parties. ITLA presented an example of a developer acquiring 13 contiguous parcels of raw land in a single transaction for a shopping center. Would the frontage be more valuable, the portion where the buildings were sited, would the intended parking lot area be less valuable? ITLA believes that a single form page for listing multiple contiguous parcels is sufficient.

The Advisory Committee would request the assistance of the Legislative Services Agency in the drafting of proposed legislation consistent with its recommendations and offers its continuing assistance in review and editing of the proposed language.

12



Proposed Changes

Administrative Revisions

The Advisory Committee has noted or recommended, as appropriate, certain administrative improvements.

1. Data Improvement: Improved electronic protocol consistent with the statewide protocol scheduled to take effect January 1, 2009.

COMMENT: DLGF is actively pursuing this project.

2. Form Improvements (form attached)

(a) Part 1, Property Transferred move acreage/lot size to Part 3, County or Township Assessor, to be filed in by the appropriate official from the County records.

(b) Part 1, Conditions (i) Move enclosed exempt transactions, Items 12 - 21, to a separate block.

(c) Item 7, Land Contracts, change Date to either Execution Date or Contract Date to furnish accurate information as to the price determination date, and clarify in the instructions.

NOTE: A second alternative would be to list the stated Maturity Date under Conditions, Item 7, then in Section 3, Sales Data, insert the date of execution as the Contract Date, just as you would for a regular sales transaction.

(d) Add the words including solely non-listed stock to Item 15 to conform to the statute.

(e) Remove the words or government institution from Item 18 to conform to the statute.

(f) In Item 19, remove the words or discounted to conform to the statute.

13



Proposed Changes

(iv) Assuming that IC 6-1.1-5-2(3) is removed from list of exempt transactions, revise form upon effective date.

(v) Make all questions on the form require a Yes or No answer and add an additional column for that purpose.

(c) Part 3, County or Township Assessor

(i) Add acreage/lot size from Part 1, Property Transferred (see (a) above)

(j) Add a line and boxes where the appropriate fee to be collected may be calculated and inserted by the Assessor.

COMMENT: These changes (other than the one change in exempt status requiring statutory amendment) are recommended by the Advisory Committee to DLGF for immediate implementation.

3. Improved Instructions/FAQ: DLGF is in the process of revising and clarifying the instructions to the Sales Disclosure Form and the FAQ advisory. DLGF is working in conjunction with the Assessors, ILTA, and ISBA on this project and is expecting its completion.

14



Proposed Changes

Information and Education

The Advisory Committee noted that while the FAQ is posted on the DLGF website, it is not necessarily easily accessible and it has not been widely disseminated to the Assessors and ILTA and ISBA, the preparers of the bulk of sales disclosure forms filed in connection with conveyance transactions. The Advisory Committee recommends the following plan to ensure widespread distribution, upon revision of the sales disclosure form and instructions, and the FAQ, as they occur:

1. DLGF will publish the revised forms and FAQ online, consistent with its current practice, but consideration will be given to more affirmative publicity on its web page.

2. DLGF will distribute copies of new forms and instructions, and any new FAQ's, to all County Assessors Association, ILTA and ISBA.

3. The organizations receiving the information from DLGF will then disseminate that information to their membership through list serves, educational programs, newsletters, and other means.

COMMENT: The Advisory Committee believes that if the requirements are clear, and the information is widely distributed to the appropriate sources, greater uniformity in procedure and a greater level of compliance on the part of the form preparers can be achieved, reducing delays in the process.

15



Questions?

Contact Us:

(317) 232-3777

www.in.gov/dlgf

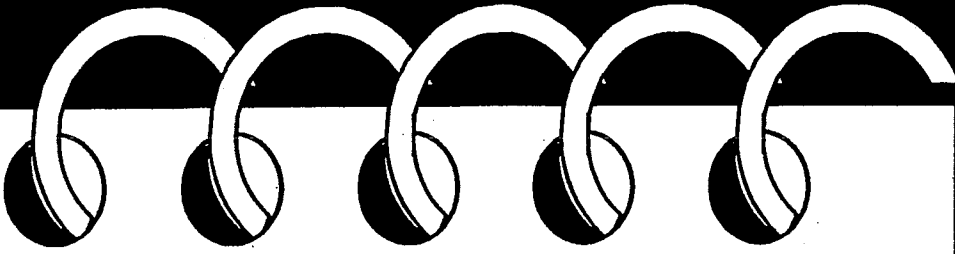
16

○

○

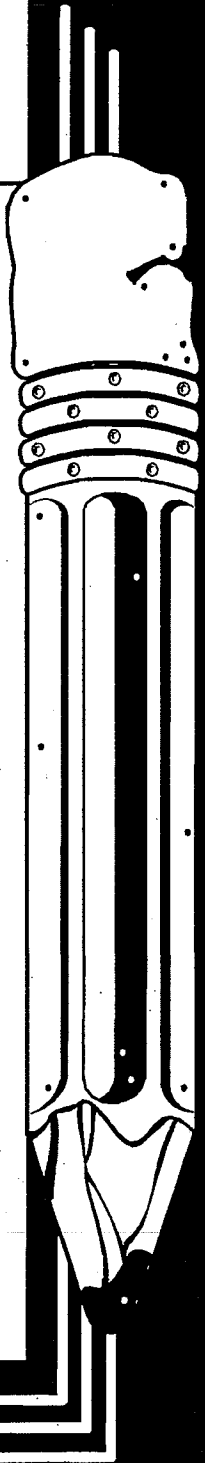
○

266



Sales Disclosures: Valid versus Invalid

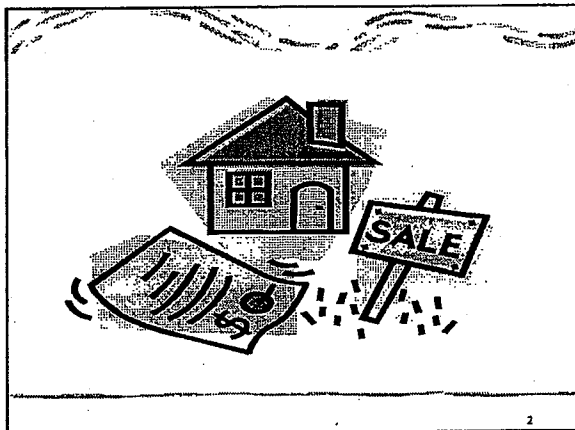
**Barry Wood
Department of Local
Government Finance**



Sales Disclosures: Valid versus Invalid

Combined County/Township Assessor Conference
2007

Barry Wood
Department of Local Government Finance



Sales Disclosures

✓ Indiana Code 6-1.1-5.5-3(a):

* "Before filing a conveyance document with the county auditor under IC 6-1.1-5-4, all the parties to a conveyance must complete and sign a sales disclosure form as prescribed by the department of local government finance under section 5 of this chapter." (Our emphasis)

Sales Disclosures

- The prescribed form is State Form 46021, "Sales Disclosure Form", which was revised in July, 2006.
- The first three lines ask for the parcel numbers. If more than three parcels are being transferred, they can be listed on a separate sheet so long as the required information is included.

-
-
-
-
-
-

Sales Disclosures

If only a portion of the parcel is being sold, then the circle on the far right needs to be filled in. (For example, a person owns ten acres, but is only selling two acres, or someone owns three lots and is only selling one of them.)

- [illegible]

Sales Disclosures

- ✓ The address line is for the address of the property being sold (street or road address, city, state and zip code).
- ✓ At the far end of the address line, it asks for the number of parcels included in the sales disclosure. This is a check to make sure that all parcels being conveyed are listed.

- [illegible]

Sales Disclosures

In the "Conditions" section, the buyer/seller is asked to identify all the conditions that apply, filling in the appropriate circle and any blanks, if necessary.

Any special conditions or uses may be identified on an additional sheet and attached to the form.

7

Sales Disclosures

1. Buyer is an adjacent property owner – he owns the land next to the subject property and is purchasing it for whatever reason.

2. Vacant Land – self explanatory; the land has no structures and/or water or septic system on it.

8

Sales Disclosures

3. Exchange for other real property ("Trade") – Grantee and Grantor are switching properties.

4. Seller Paid Points; amount if applicable – If there are seller concessions, such as paying part of the closing costs, the dollar amount needs to be listed.

9

Sales Disclosures

5. Change planned in the primary use of the property? Is vacant land going to be used for a subdivision? Is a business going to build a factory? Is an older home going to be divided into apartments? This alerts the assessor that the sale may need to be analyzed based on the new use and the property will need to be checked during the next annual maintenance period.

10

Sales Disclosures

6. Existence of family or business relationship between buyer and seller – the parties are related or business partners, or a relationship exists. This alerts the assessor to the fact that this may not be an arms-length transaction.

11

Sales Disclosures

- What is an arms-length transaction?
- The parties are unrelated;
 - There is no undue stimulus;
 - The property has been exposed to the market for a reasonable amount of time;
 - The buyer and seller are acting prudently and knowledgeably in their own best interest (not under duress); and
 - Payment is made in a manner as typically available and not subject to special financing or concessions.

12

Sales Disclosures

7. Land Contract Dated: _____ - A sale where the seller retains the deed until the contract terms are satisfied. If the buyer defaults, the property usually reverts to the seller and any payments may be lost. These are also known as installment sales or contracts for deed. If there is a land contract, enter the date of the contract.

13

Sales Disclosures

8. Personal property included in the transfer; amount if applicable – Items that are not attached (built-in or affixed) to the real estate (land and buildings). Examples include washers/dryers, window treatments, inventories, machinery, boats and other vehicles.

14

Sales Disclosures

9. Significant physical changes to property between March 1 and date of sale – are any buildings being built or torn down; any other improvements made to the property; or anything else that would cause the assessment of the property to change?

15

Sales Disclosures

- ✓ 10. Non-Warranty deed; specify type - if the property is not being conveyed by warranty deed, what type is being used?
- ✓ 11. Partial Interest - if the conveyance is not for 100%, then explain the circumstances, and the interest being conveyed.

16

Sales Disclosures

- ✓ The next section of items (12 -21) must be filled out where applicable, even though the filer is not subject to the filing fee if any of the items apply.

17

Sales Disclosures

- ✓ 12. Security interest documents such as mortgages or trust deeds.
- ✓ 13. Leases less than 90 years.
- ✓ 14. Documents resulting from foreclosure, or express threat of foreclosure, divorce court order, condemnation, probate or other judicial proceedings. Note that sales subsequent to these actions do not fall under this category and are generally required to pay the sales disclosure fee.

18

14
35
61 5/50

Sales Disclosures

- ✓ 15. Agreements and other documents for mergers, consolidations and incorporations.
- ✓ 16. Quitclaim deeds not serving as a source to title.

19

Sales Disclosures

- ✓ 17. Documents involving the partition of land between tenants in common, joint tenants, or tenants by the entirety.
- ✓ 18. Transfer to a charity, not-for-profit or government institution.
- ✓ 19. Transfer for no or discounted consideration, or gift.

20

Sales Disclosures

- ✓ 20. Rerecording to correct prior recorded document.
- ✓ 21. Easements, right-of-way grants.

21

Sales Disclosures

- ✓ The "Sales Data" section is one of the most important parts of the form.
- ✓ The date of the sale (the date on which the parties agreed to a sale price).
- ✓ Sales price – the actual amount of money the grantee paid the grantor for the property being transferred. This MUST BE the true and correct amount.

22

Sales Disclosures

- ✓ On Page 2, the last section of Part 1 asks for the signatures of the buyer and seller, the date they signed the document, and their telephone numbers.

THE FORM MUST BE SIGNED BY BOTH PARTIES

23

Sales Disclosures

- ✓ If, for any reason, the parties do not agree on the information to be included on the completed form, each party may sign and file a separate completed form.

24

Sales Disclosures

Part Two of the form is for the County Auditor to file stamp the form, indicate that it is complete, and enter the date the property was transferred in the Transfer Book.

25

Sales Disclosures

Part Three is for the County or Township Assessor to note any major physical changes to the property, list the assessed value, the property class code, the neighborhood code, and the DLGF assigned Taxing District number.

26

Sales Disclosures

If anyone other than the buyer/seller or an attorney of the buyer/seller is signing the form, a properly executed "Power of Attorney" form must be completed and attached.

27

Sales Disclosures

- **A person who knowingly and intentionally falsifies or omits any information required on the form commits a Class A Infraction.** In other words, it's against the law.

28

Sales Disclosures

- The county auditor is responsible for collecting the filing fee.
- The county auditor is also responsible for ensuring that all parties to the conveyance have completed and signed the sales disclosure form as required. Some counties require the County Assessor to review/approve the Sales Disclosure form before filing it with the County Auditor.

29

Sales Disclosures

- The county auditor may not accept the sales disclosure statement if the statement is not signed by the buyer and seller. (In the case of multiple sellers and/or buyers, only one seller and one buyer are required to sign.)

30

Sales Disclosures

- If the buyer or seller fails to completely fill out their designated portion of the form, the county auditor may not accept the conveyance document.
- An incomplete sales disclosure, along with the conveyance document should be returned to the person attempting to file the form.

31

Sales Disclosures

- By law (IC 6-1.1-5.5-6) the county recorder "shall not record a conveyance document without evidence that the parties have filed a completed sales disclosure form with the county auditor."

32

Sales Disclosures

- Contract sales are not exempt from the sales disclosure filing. A form needs to be filed at the beginning of the contract (when either the contract or a memorandum is recorded), and again when the deed is issued at the end of the contract term to convey title.

33

Sales Disclosures

- Telephone numbers are required to be given. However, telephone numbers on this document are considered confidential information. If any copies are shared with the general public, the telephone numbers must be permanently removed from the copies.

34

Sales Disclosures

- Social Security numbers are not required, but if they are given, they also are considered confidential, and must be permanently removed from any copies that are shared with the public.

35

Sales Disclosures

- Other than telephone numbers or Social Security numbers, the sale disclosure form is public information, and copies are required to be made available to the public upon request.

36

Sales Disclosures

- ✓ The filing fee is \$10 for non-exempt transactions. Some counties may charge a \$5 "Auditor's Endorsement Fee" per legal description, while some counties treat a multi-parcel transaction as one conveyance and only one fee is collected. Also, Marion County has a new \$5 transaction fee for electronic filing and payments.

37

Sales Disclosures

- ✓ On an exempt transaction, only one signature (either buyer or seller) is acceptable. (Items 12-21 on the form)

38

Sales Disclosures

- ✓ Misdemeanors and infractions:
 - A person who knowingly and intentionally:
 - ◊ Falsifies the value of transferred real property; or
 - ◊ Omits or falsifies any information required to be provided in the sales disclosure form; commits a Class A misdemeanor.
 - ◊ Possible sentence – not more than one year imprisonment and not more than a \$5,000 fine.

39

Sales Disclosures

• A public official who knowingly and intentionally accepts:

- A sales disclosure document for filing that
 - Falsifies the value of transferred real property; or
 - Omits or falsifies any information required to be provided in the sales disclosure form; or

40

Sales Disclosures

- A conveyance document for recording in violation of IC 6-1.1-5.5-6 commits a Class A infraction.
- Possible judgment of not more than \$10,000 may be entered by the courts.

(This section pertains to the county auditor and the county recorder.)

41

Sales Disclosure

- What is a conveyance document?
- Indiana Code 6-1.1-5.5-2 defines "conveyance document" as "any document, deed, contract of sale, agreement, judgment, lease that includes the fee simple estate and is for a period in excess of ninety (90) years,

42

Sales Disclosures

quitclaim deed serving as a source of title, or other document presented for recording, that purports to transfer a real property interest for valuable consideration."

Sales Disclosures

- Conveyance Documents do not include; but require disclosures without a fee:
 - Security interest documents, such as mortgages and trust deeds;
 - Leases for a term less than 90 years;
 - Documents for compulsory transactions as a result of foreclosure or express threat of foreclosure, divorce, court order, condemnation or probate.

- * Documents involving the partition of land between tenants in common, joint tenants, or tenants by the entirety.
- * Agreements or other documents for mergers, consolidations, and incorporations involving solely nonlisted stock.
- * Quitclaim deeds not serving as a source of title.

Sales Disclosures

- * Documents involving the partition of land between tenants in common, joint tenants, or tenants by the entirety.
- * Agreements or other documents for mergers, consolidations, and incorporations involving solely nonlisted stock.
- * Quitclaim deeds not serving as a source of title.

[illegible]

Sales Disclosures

- ✓ How are they used?
 - The county assessor or other assessing official must verify the accuracy of the information on the form. This can be done in several different ways – calls to the seller, calls to the buyer, calls to the title company, a survey form – whatever method the assessor finds that works.

46

Sales Disclosures

- ✓ Accurate assessment information benefits everyone by keeping the assessed value accurate, which keeps the tax rate accurate, which has everyone paying their fair share.

47

Sales Disclosures

- ✓ **Valid versus Invalid Sales**
- ✓ Now that we've covered the basics, who and what distinguishes a valid sales disclosure form to be used in the annual adjustment process and the ratio study?
- ✓ Great deference is given to "Home Rule," whereby the local officials are empowered to make the determination without approval from the State.

48

Sales Disclosures

✓ However, based on the preceding information, you may want to consider using a Sales Disclosure in the annual adjustment process or the ratio study if you know/are certain through the verification process that:

- It was an arms length transaction.
- The property was not sold or bought under duress.
- The property was exposed to the open market.

49

Sales Disclosures

✓ Some other points to consider when determining whether or not a sales disclosure form is valid or invalid:

- Sheriff Sales: If there is a neighborhood or area that has a substantial number of foreclosures, the Sheriff Sales may be used because it reflects the predominant market conditions.
- Vacant Land Sales and the Developer's Discount: If the builder is buying many lots at one time and filing separate disclosures on each lot, often the price is merely an allocation to each disclosure and may not be reflective of the value for that specific lot.

50

Sales Disclosures

- Individual versus Title Company completion of the form: Does it matter if a person selling the property by himself files the Sales Disclosure instead of a Title Company? It may not necessarily invalidate the sale, but a prudent purchaser would have title insurance, and you may want to "red flag" these sales disclosures for further review.
- Neighbors buying adjoining property: This may not necessarily invalidate the sale; however, the assessor should verify if the sale was an arms length transaction, exposed to the open market, etc.
- Sales between friends and relatives: Again, it could be a valid sale if there was exposure to the open market, but further review is necessary.

51

Sales Disclosures

- Multiple Parcels: Multiple parcel sales should be used in the analysis and ratio study by summing the assessments and comparing that total to the sale price or the time adjusted sale price.
- "I can't believe that person would have paid that much for that property": As part of the review process, your job is to verify the accuracy of the sales disclosure, not to pass judgment on whether or not you think the buyer paid too much (or too little) for the property. Was it a valid sale that was an arm's length transaction?
- You can not invalidate the sale because "you don't think it looks right;" there must be a reason it is invalidated
- "I did not think the price looked right, so I changed the amount on the sales disclosure form": See the pertinent part regarding committing a Class A Infraction.

52

Sales Disclosures

- In October 2006, the DLGF sent a memo to the County Assessor's detailing some common issues and problems that occurred with the ratio studies. Some of the points included:
- In our review, we are comparing the number of sales used in the ratio study with a file analysis of the number of sales that could possibly be used from your data submissions to LSA and our Data Analysis Section. The biggest problem, to date, is the total number of sales significantly exceeding the number of sales being used in the ratio study.
- Please be sure to remove any duplicate sales (not re-sales, but multiple occurrences with the same date and price). While we certainly do not expect all sales to be used (i.e. exempt sales, etc.), there are many sales that are not being used. "Trimming," or eliminating sales without a valid reason, is not an acceptable practice.

53

Sales Disclosures

- Unless there is specific written notification and approval given for not following the IAAO Standard on Ratio Studies on locating extreme outliers (see Section 6.6), all valid sales should be considered. For those classes of property where there are few sales, the IAAO Standard on Ratio Studies gives specific remedies for inadequate sample sizes (see Section 8.4).
- We understand that certain software packages automatically invalidate or exclude multiple parcel sales; hence, many of those sales are not being included in the ratio study. Any valid sale where an assessment can be compared to the selling price should be considered. Be sure to include multiple parcel sales by summing the assessed values.

54

Sales Disclosures

- ✓ Land sales with subsequent improvements should also be included by imputing the assessment as vacant.
- ✓ It is also appropriate to expand the range of sale dates to include 2006 and 2003 and earlier years with appropriate time adjustments. If sales are time adjusted, please include the actual sale price in addition to the time adjusted price.
- ✓ Other things to ponder:
 - ✓ Realtor data (i.e. Multiple Listing Service-MLS) is a good source to verify sales information. If possible, you may want to contact your local Realtor's Association to try and work out an agreement to share information/access to records.

55

Sales Disclosures

- ✓ Sales may be used for analysis even if they are assessed on an agricultural land basis if you impute the value that would be in place had the parcel not been a farm.
- ✓ Re-engineer your workflow so splits get worked promptly and the parcels will be able to be entered in the sales file with the new parcel number.
- ✓ **Consistency is the key to ensuring all valid sales are considered in the annual adjustment process!**
- ✓ Questions?
 - ✓ Department of Local Government Finance
 - ✓ (317) 232-3777
 - ✓ www.in.gov/dlgf

56

**SALES DISCLOSURE FORM**

State Form 46021 (R6/7-06)

Prescribed by Department of Local Government Finance
Pursuant to IC 6-1.1-5.5**PRIVACY NOTICE:** The telephone numbers of the parties on this form are confidential according to IC 6-1.1-5.5-3(d).**PART 1 - To be completed by BUYER/GRANTEE and SELLER/GRANTOR (typed or printed in black ink)**

Parcel Number(s) (Show additional parcels on separate sheet if necessary.)

Acreage or Lot Size

Part of Parcel
(split)

Address

of Parcels

City, Town, or Post Office

State

ZIP Code

Tax Billing Address (if other than property address)

City, Town, or Post Office

State

ZIP Code

Legal Description

PROPERTY TRANSFERRED

Identify all conditions/items that apply**NOTE: If items 12-21 apply, filers are not subject to disclosure filing fee.**☐ 1-Buyer is an adjacent property owner☐ 2-Vacant Land☐ 3-Exchange for other real property ("Trade")☐ 4-Seller Paid Points; amount if applicable\$ ☐ 5-Change planned in the primary use of the property? Describe in special circumstances.☐ 6-Existence of family or business relationship between buyer and seller☐ 7-Land Contract Dated: _____☐ 8-Personal property included in transfer; amount if applicable\$ ☐ 9-Significant physical changes to property between March 1 and date of sale☐ 10-Non-Warranty deed; specify type _____☐ 11-Partial interest. Describe in special circumstances.☐ 12-Security interest documents such as mortgages or trust deeds.☐ 13-Leases less than 90 years☐ 14-Document resulting from foreclosure, or express threat of foreclosure, divorce court order, condemnation, probate or other judicial proceedings.☐ 15-Agreements and other documents for mergers, consolidations, and incorporations☐ 16-Quitclaim deeds not serving as a source of title☐ 17-Documents involving the partition of land between tenants in common, joint tenants, or tenants by the entirety.☐ 18-Transfer to a charity, not-for-profit or government institution☐ 19-Transfer for no or discounted consideration, or gift☐ 20-Rerecording to correct prior recorded document☐ 21-Easements, Right-of-way grants

CONDITIONS

Contract Date (MM/DD/YYYY)

Sales Price

 / / \$

Describe any unusual or special circumstances related to this sale, including the specification of any less-than-complete ownership interest and terms of seller financing.

SALES DATA

PART 1 - To be completed by BUYER/GRANTEE and SELLER/GRANTOR (typed or printed in black ink)

Seller(s)/Grantor(s)

Seller 1 - Name or Entity as appears on deed

Address

City, Town, or Post Office

State

ZIP Code

Seller 2 - Name or Entity as appears on deed

Address

City, Town, or Post Office

State

ZIP Code

Preparer Name and Address

Preparer Phone

Buyer(s)/Grantee(s)

Buyer 1 - Name or Entity as appears on deed

Address

City, Town, or Post Office

State

ZIP Code

Buyer 2 - Name or Entity as appears on deed

Address

City, Town, or Post Office

State

ZIP Code

Will this property be the
buyer's primary
residence?☐ Yes☐ No

Under penalties of perjury, I hereby certify that this Sales Disclosure, to the best of my knowledge and belief, is true, correct and complete as required by law, and is prepared in accordance with IC 6-1.1-5.5, "Real Property Sales Disclosure Act".

Signature of Seller

Signature of Buyer

Seller Sign Date
(MM/DD/YYYY)
Buyer Sign Date
(MM/DD/YYYY)

Seller Phone

Buyer Phone

Signatures

PART 2 - COUNTY AUDITOR

AUDITOR'S FILE STAMP

Completion ☐ Yes ☐ No

Date Entered in Transfer Book

PART 3 - COUNTY OR TOWNSHIP ASSESSOR

County Assessor or other assessing official must verify and complete the following information:

☐ Significant physical changes to property between March 1 and date of sale

\$

AV LAND

Property class /
use code

Taxing District (DLGF assigned)

\$

AV IMPV

\$

AV TOTAL

☐ Valid Sale

NEIGHBORHOOD CODE

INSTRUCTIONS

Indiana law requires a sales disclosure form to be completed when a conveyance document (see definition below) is filed with the county auditor. The county auditor may not accept a conveyance if (1) the sales disclosure form is not included with the conveyance document; or (2) the sales disclosure form is incomplete. A person filing a sales disclosure form shall pay a fee of ten dollars (\$10.00) to the county auditor.

PART 1: BUYER AND SELLER INFORMATION

Property Transferred Information. Either the buyer/grantee or the seller/grantor should provide the parcel number(s) (including all dashes and decimals), full address, tax billing address, lot size, and legal description of the parcel(s) transferred. A legal description is especially important for metes and bounds descriptions and new parcels. If the transaction consists of more than three parcels, an additional list of parcel numbers and lot sizes must be attached to this document.

Sales conditions/items. The information in this section is used to determine sales characteristics, establish market value, determine applicability of the sale and for use in ratio or other studies. The appropriate circle or circles should be filled in for all conditions/items that apply to the sale. With regard to personal property (see definitions below), the buyer or seller must enter an estimated value of the personal property included in the sale. Similarly, the buyer and seller must enter the amount of seller paid points as applicable. Please note that while indicating that certain conditions/items will result in not paying a filing fee, the buyer/grantee or seller/grantor is still responsible for completing the form in full.

Sales Data. The date and sales price of the property transfer is to be printed in the spaces provided. Any unusual or special conditions of the sale that may affect the sales price or terms of the sales agreement should also be described.

Seller/Grantor Information. Seller(s)/grantor(s) are to provide the full name and address for seller(s) or entity as applicable. If there are more than two individuals or entities involved in the transaction, additional ownership information must be included in an attachment to this form. The seller/grantor must also provide the name, address, and telephone number of the preparer of the form.

Buyer/Grantee Information. Buyer(s)/grantee(s) are to provide the full name and address for buyer(s) or entity as applicable. If there are more than two individuals or entities involved in the transaction, additional ownership information must be included in an attachment to this form. The buyer/grantee must also indicate whether the property will be used as a residential primary residence.

Signature and Verification. The buyer/grantee, seller/grantor or their representatives must sign one (1) sales disclosure form, or if the parties do not agree on the information to be included on the completed form, each party must sign and file a separate form. If anyone other than the buyer/seller or an attorney of the buyer/seller is filling out the form, a properly executed Power of Attorney must be completed and attached. **A person who knowingly and intentionally falsifies or omits any information required on this form commits a Class A infraction.**

PART 2: COUNTY AUDITOR RESPONSIBILITY

The county auditor is responsible for collecting the filing fee as well as ensuring that all parties to the conveyance have completed and signed the form as required. The county auditor may not accept the sales disclosure statement if the statement is not signed by the buyer or seller. If the buyer or seller fails to completely fill out their designated portion of the form, the county auditor may not accept the conveyance document. The county auditor must also confirm the date the property was duly entered for transfer.

PART 3: COUNTY ASSESSOR INFORMATION

The county assessor is responsible for determining whether or not significant physical changes have been made to the property between March 1 and the date of sale. The county assessor is also responsible for entering property class or use codes, the proper department of local government finance taxing district number, the current assessed value, and neighborhood code information. The county assessor and/or other assessing officials are responsible for verifying the sale as well (note that verification is not required prior to submitting sales data to the DLGF). Sales disclosure forms provided in response to public records requests should not include phone numbers.

Definitions

Conveyance Document means any document, land sale contract, deed, quitclaim deed serving as a source of title, or other document presented for recording, that purports to transfer a real property interest for valuable consideration.

Personal property – items that are not attached (built-in or affixed) to the real estate (land and buildings). This might include items such as washers, dryers, window treatments, stoves and refrigerators. Other items considered personal property are boats and other vehicles, inventories (livestock, goods in process or for trade, or agricultural commodities) and machinery used in farming or manufacturing.

Listed below are certain deductions and credits that are available to lower property taxes in Indiana. Taxpayers may claim these benefits by filing an application with the Auditor in the County where the property is situated. The previous tax bill will facilitate filing, but it is not required. **Applications for deductions against real property must be filed on or before June 10** to be effective for taxes payable in the following year. **The deadline for mobile and manufactured homes that are not assessed as real property is March 2** unless noted below. The ownership must be the recorded as of March 1st. Individuals that purchase property, or record a transfer or mortgage document after March 1 may file for the deductions at the earliest opportunity, but the deduction will not apply until the following March 1st assessment date. The deduction will appear on the tax bill the year following the assessment date. For additional information on these and other benefits, please consult Indiana Code 6-1.1-12 and 6-1.1-20.9.

DEDUCTION (Indiana Code)	MAXIMUM AMOUNT ***	ELIGIBILITY REQUIREMENTS
Mortgage (6-1.1-12-1b)	3,000	1) reside on real property located in Indiana. Includes mobile and manufactured homes; and 2) must have owned real estate by March 1 of the current property tax year. 3) A new application must be filed whenever a loan on real estate is refinanced.
Homestead Credit (6-1.1-20.9) *	20% of net tax bill *	1) reside on real property located in Indiana, includes mobile and manufactured homes; 2) credit against the taxes attributable only to the assessed value for the first acre and the dwelling and garage only; and 3) must have owned real estate by March 1 of the current property tax year.
Homestead Standard Deduction (6-1.1-12-37(b))	35,000	1) reside on real estate, including mobile and manufactured homes; 2) only the first acre and the dwelling and garage allowed; and 3) must have owned real estate by March 1 of the current property tax year.
Over 65 (6-1.1-12-9)	12,480	1) reside on the real estate, includes mobile and manufactured homes; 2) at least 65 by December 31st of the year preceding the application year; 3) combined adjusted gross income not exceeding \$25,000; 4) one year of ownership prior to March 1 of the current property tax year; and 5) assessed property value not exceeding \$144,000. 6) Surviving, unremarried spouse at least 60 years of age if deceased was 65 at the time of death.
Blind (6-1.1-12-11;12)	12,480	1) reside on the real estate, including mobile and manufactured homes; 2) blind; 3) taxable gross income not exceeding \$17,000; and 4) must have owned real estate by March 1 of the current property tax year.
Disabled (6-1.1-12-11)	12,480	1) reside on the real estate, including mobile and manufactured homes; 2) disabled; 3) taxable gross income not exceeding \$17,000; and 4) must have owned real estate by March 1 of the current property tax year.
Disabled Veteran (6-1.1-12-14;15)	12,480**	1) owns real and/or personal property in Indiana; 2) served in U.S. military service for at least 90 days and honorably discharged; 3) surviving spouse may apply; 4) either totally disabled or at least age 62 with at least 10% disability; 5) written evidence of the disability; 6) assessed value of real and personal property combined is not greater than \$113,000; and 7) must have owned real estate by March 1 of the current property tax year.
Veteran with Service Connected Disability (6-1.1-12-13;15)	24,960**	1) owns real and/or personal property in Indiana; 2) honorable discharged after serving in U.S. military during a war, 3) service connected disability of at least 10% with written evidence of disability; 4) must have owned real estate by March 1 of the current property tax year. 5) surviving spouse may apply;
Veteran World War I (6-1.1-12-17.4)	18,720**	1) resides on real estate, mobile or manufactured homes unless in a nursing home or hospital; 2) be a veteran of World War I; 3) assessed value of the residence property does not exceed \$163,000; and 4) own the real estate for at least one year prior to March 1 of the current assessment year.
Surviving Spouse of World War I Veteran (6-1.1-12-16;17(b))	18,720**	1) own real and/or personal property in Indiana; 2) spouse of deceased person serving in the U.S. military before November 12, 1918; 3) honorable discharge; and 4) not claiming the Deduction for Disabled Veterans or Surviving Spouses. 5) must have owned real estate by March 1 of the current property tax year.
Solar Energy Heating or Cooling Systems (6-1.1-12-26)	Assessed value (AV) with the device, less the AV without the device. In other words, the value of the device.	1) Own real property, mobile or manufactured homes, both real and annually assessed; and 2) for real estate ownership by March 1 of the current property tax year; or for annually assessed mobile homes, ownership by January 15th of the tax year. 3) Real property filing period is March 1 and May 10 of the assessment year. For annually assessed property, the filing period is January 15 to March 31 of the tax year.
Wind Power Device (6-1.1-12-29)		
Hydroelectric Power Device (6-1.1-12-33)		
Geothermal Device (6-1.1-12-34)		

* Depending on the county, you may also receive a County Homestead Credit on your residence. Please consult with your County Auditor.

** Any unused portion after application to residence property applies next to personal property and lastly as Excise Tax Credit on either motor vehicle excise tax (IC 6-6-5-5) or aircraft license tax (IC 6-6-6.5)

*** The sum of the deductions provided to a mobile home or to a manufactured home that is not assessed as real property may not exceed one-half (1/2) of the assessed value of the mobile home or manufactured home. (IC 6-1.1-12-40.5)

SEE NEXT PAGE FOR REQUIRED FORMS, DOCUMENTATION AND INFORMATION ON LIMITATIONS REGARDING MULTIPLE DEDUCTIONS

Specific deduction claim forms are available from the county auditor or on the Indiana Department of Local Government Finance website:
<http://www.in.gov/icpr/webfile/formsdiv/dlgtf.html>

DEDUCTION (Indiana Code)	APPLICATION FORM AND VERIFICATION (PROOF) REQUIRED	ARE THERE RESTRICTIONS WITH TAKING THIS DEDUCTION IN COMBINATION WITH OTHER DEDUCTIONS? ***
Mortgage (6-1.1-12-1b)	State Form # 43709 A new application must be filed whenever a loan on real estate is refinanced.	NO
Homestead Credit (6-1.1-20.9)*	DLGF Form HC10 (State Form 5473) Previous tax bill will facilitate filing.	NO
Homestead Standard Deduction (6-1.1-12-37(b))	DLGF Form HC10 (State Form 5473). One form filed for both the Homestead Credit and the Standard Deduction.	NO
Over 65 (6-1.1-12-9)	State Form 43708 Internal Revenue Service Form 1040 for the previous calendar year. This requirement includes submitting the 1040 for the applicant and all co-owners.	PARTIALLY - May not claim any deductions other than the Mortgage and the Homestead Deductions.
Blind (6-1.1-12-11;12)	State Form 43710 Proof of Blindness	PARTIALLY - These deductions may be claimed with all other deductions EXCEPT the Over 65 Deduction.
Disabled (6-1.1-12-11)	State Form 43710 Proof of Disability	PARTIALLY - These deductions may be claimed with all other deductions EXCEPT the Over 65 Deduction.
Disabled Veteran ** (6-1.1-12-14;15)	State Form 12662 Either VA Form 20-5455 Code 1 In Item #15; Pension Certificate; Award of Compensation from VA or DOD; or Certificate of eligibility from IN Dept of VA.	PARTIALLY - These deductions may be claimed with all other deductions EXCEPT the Over 65 Deduction.
Veteran with Service Connected Disability (6-1.1-12-13;15)	State Form 12662 Either VA Form 20-5455 Code 2 In Item #15; Pension Certificate; Award of Compensation from VA or DOD; or Certificate of eligibility from IN Dept of VA.	PARTIALLY - This deduction may be claimed with all other deductions EXCEPT the Over 65 Deduction and Surviving Spouse of WW I Veteran.
Veteran World War I* (6-1.1-12-17.4)	State Form 12662 Letter from VA or Department of Defense; or Discharge Documents.	PARTIALLY - This deduction may be claimed with all other deductions EXCEPT the Over 65 Deduction.
Surviving Spouse of World War I Veteran ** (6-1.1-12-16;17(b))	State Form 12662 Letter from VA or Department of Defense; or Discharge Documents.	PARTIALLY - This deduction may be claimed with all other deductions EXCEPT the Over 65 Deduction and Veteran with Service Connected Disability.
Solar Energy Heating or Cooling Systems (6-1.1-12-26)	State Form 18865	PARTIALLY - These deductions may be claimed with all other deductions EXCEPT the Over 65 Deduction.
Hydroelectric Power Device (6-1.1-12-33)	State Form 18865 Certificate of Qualification from the Indiana Department of Environmental Management.	PARTIALLY - These deductions may be claimed with all other deductions EXCEPT the Over 65 Deduction.

* Depending on the county, you may also receive a County Homestead Credit on your residence. Please consult with your County Auditor.

** Any unused portion after application to residence property applies next to personal property and lastly as Excise Tax Credit on either motor vehicle excise tax (IC 6-6-5-5) or aircraft license tax (IC 6-6-6.5)

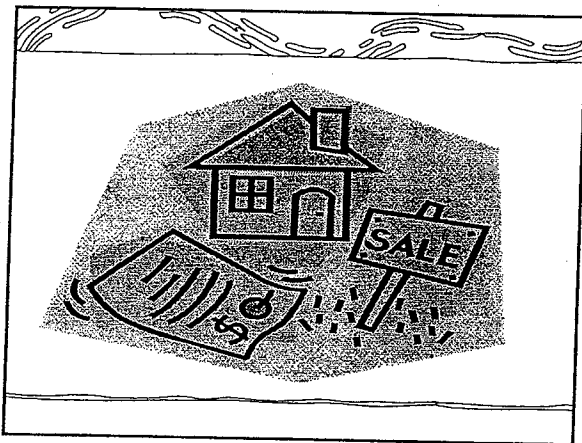
*** The sum of the deductions provided to a mobile home or to a manufactured home that is not assessed as real property may not exceed one-half (1/2) of the assessed value of the mobile home or manufactured home. (IC 6-1.1-12-40.5)



Sales Disclosures

County Assessors' Conference

2007



Sales Disclosures

¶ Indiana Code 6-1.1-5.5-3(a):

• "Before filing a conveyance document with the county auditor under IC 6-1.1-5-4, all the parties to a conveyance *must* complete and sign a sales disclosure form as prescribed by the department of local government finance under section 5 of this chapter." (Our emphasis)

Sales Disclosures

- ✦ Prescribed form is State Form 46021, "Sales Disclosure Form", which was revised in July, 2006.
- ✦ Form must be typed or printed in black ink.

-
-
-
-
-
-

Sales Disclosures

- Let's take a look at the form section by section, starting with "Property Transferred".
- The first three lines ask for the parcel numbers. If more than three parcels are being transferred, they can be listed on a separate sheet so long as the required information is included.

-
-
-
-
-

Sales Disclosures

- The parcel numbers are either printed on the tax statement or can be obtained from the county assessor's records.
- The acreage or lot size can also be obtained from either the tax statement or the county assessor's records.

-
-
-
-
-
-

Information sent to state (hard copy) & via internet
as what is on the list.

Sales Disclosures

- * If only a portion of the parcel is being sold, then the circle on the far right needs to be filled in. (For example, a person owns ten acres, but is only selling two acres, or someone owns three lots and is only selling one of them.)

Sales Disclosures

- * This tells the assessor that they need to split up the parcel into pieces, and remove the sold acreage from the present owner and give it to the new owner.

Sales Disclosures

- * The assessor will then make a property record card for the new owner and change the existing card to show the sale from the present owner. This will also alert the county auditor to adjust their ownership records for tax purposes.

Sales Disclosures

- ✓ The address line is for the address of the property being sold (street or road address, city, state and zip code).
- ✓ At the far end of the address line, it asks for the number of parcels included in the sales disclosure. This is a check to make sure that all parcels being conveyed are listed.

Sales Disclosures

- ✓ Then the form asks for the tax billing address. The parcel address may or may not be the correct address for tax billing. This address will be used by the county treasurer to mail the tax statements, so it needs to be absolutely correct.

Sales Disclosures

- ✓ The last line asks for the legal description. This can again come from the tax statement or the county assessor's records. It can also come from the conveyance document.

Com. To Study How to make it easier for preparers
to fill out Sales Disclosure. (Input during the study)
manual in the works on Sales Disclosures.

Sales Disclosures

Any questions on the "Property Transferred" section?

Sales Disclosures

- Next, we want to look at the "Conditions" section.
- You are asked to identify all the conditions that apply, fill in the circle and fill in any blanks, if necessary.
- If you need to identify any special conditions or uses, please do so on an additional sheet and attach to the form.

Sales Disclosures

1. Buyer is an adjacent property owner – he owns the land next to the subject property and is purchasing it for whatever reason.
2. Vacant Land – self explanatory; the land has no structures and/or water or septic system on it

Sales Disclosures

- § 3. Exchange for other real property ("Trade") – Grantee and Grantor are switching properties.
- § 4. Seller Paid Points; amount if applicable – If there are points involved, you need to list the dollar amount.

Sales Disclosures

- § 5. Change planned in the primary use of the property? Is vacant land going to be used for a subdivision? Is a business going to build a factory? Is an older home going to be divided into apartments? This alerts the assessor to check the property for a change in use and different assessment method.

Sales Disclosures

- § 6. Existence of family or business relationship between buyer and seller – the parties are related or business partners, or a relationship exists. This alerts the assessor to the fact that this may not be an arms-length transaction.

Sales Disclosures

- What is an arms-length transaction?
- The parties are unrelated; there is no undue stimulus; the property has been exposed to the market for a reasonable amount of time; the buyer and seller are acting prudently in their own best interests.

Sales Disclosures

- 7. Land Contract Dated: _____ - Self-explanatory. If there is a land contract, enter the date of the contract.

Sales Disclosures

- 8. Personal property included in the transfer; amount if applicable – Items that are not attached (built-in or affixed) to the real estate (land and buildings (such as washers/dryers, window treatments, inventories, machinery, boats and other vehicles)

Sales Disclosures

- ¶ 9. Significant physical changes to property between March 1 and date of sale – any buildings built or torn down; any other improvements made to the property; or anything else that would cause the assessment of the property to change

Sales Disclosures

- ¶ 10. Non-Warranty deed; specify type - if you are not conveying by warranty deed, what type are you using?
- ¶ 11. Partial Interest – if the conveyance is not for 100%, then explain the circumstances, and the interest being conveyed.

Sales Disclosures

- ¶ The next section of items (12 –21) must be filled out where applicable, even though the filer is not subject to the filing fee if any of the items apply.

Sales Disclosures

- ✓ 12. Security interest documents such as mortgages or trust deeds
- ✓ 13. Leases less than 90 years.
- ✓ 14 Document resulting from foreclosure, or express threat of foreclosure, divorce court order, condemnation, probate or other judicial proceedings.

Sales Disclosures

- ✓ 15. Agreements and other documents for mergers, consolidations and incorporations.
- ✓ 16. Quitclaim deeds not serving as a source to title

Sales Disclosures

- ✓ 17. Documents involving the partition of land between tenants in common, joint tenants, or tenants by the entirety.
- ✓ 18. Transfer to a charity, not-for-profit or government institution.
- ✓ 19. Transfer for no or discounted consideration, or gift.

Do NOT Need a
Sales Disclosure For
Death of a spouse
or life estate when
there is a surviving
spouse.

Sales Disclosures

- 20. Rerecording to correct prior recorded document.
- 21. Easements, right-of-way grants

Sales Disclosures

- Let's look at a few definitions:
 - Tenants in common – an ownership of realty by two or more persons, each of whom has an undivided interest without the right of survivorship. Upon the death of one of the owners, the ownership share of the decedent is inherited by the party or parties named in the decedent's will.

Sales Disclosures

- Example: A syndicate is formed using a *tenancy in common*. Under this arrangement, all of the investors have to sign the deed for the entire property to be sold, but each tenant may convey his or her share independently.

Sales Disclosures

- Joint Tenants – Ownership of realty by two or more persons, each of whom has an undivided interest with the right of survivorship. This is usually used by people who are related.

Sales Disclosures

- Example: Abel and Baker own land in *joint tenancy*. Each owns half of the entire (undivided) property. Upon Abel's death, Baker will own the entire property, and vice versa.

Sales Disclosures

- Tenants by the Entirety – an estate that exists only between husband and wife with equal rights of possession and enjoyment during their joint lives and with rights of survivorship – i.e. when one dies the property goes to the surviving tenant.

Sales Disclosures

- Example: A married couple owns property as *tenants by the entirety*. Neither can convey his or her part of the property during their lives unless the other party consents. (Divorced spouses become tenants in common.)

Sales Disclosures

- The next section "Sales Data" is one of the most important parts of the form.
- The date of the sale (the date on which the parties agreed to a sale price)
- Sales price – the actual amount of money the grantee paid the grantor for the property being transferred. This **MUST BE** the true and correct amount.

Sales Disclosures

- We will discuss more in detail the importance of having the correct sale price later.

Sales Disclosures

* Page two of the form asks first for the name and address of the seller(s). If there are more than two sellers, please complete the information on a separate sheet of paper and attach it to the form. It also asks for the name of the Title Company and the company's phone number.

Sales Disclosures

* If a title company is involved, please provide the information.

* The next section asks for the buyer(s) name and address. Here again, if more than two individuals are involved, please complete the information on a separate sheet of paper.

Sales Disclosures

* This section also asks if the property is going to be the buyer's primary residence. If it is, then the property will be eligible for the homestead credit and standard deduction if the buyer files for them with the county auditor.

Sales Disclosures

- ☛ The last section asks for the signatures of the buyer and seller, the date they sign the document, and their telephone numbers.

- ☛ **THE FORM MUST BE SIGNED BY BOTH PARTIES**

Sales Disclosures

- ☛ If, for any reason, the parties do not agree on the information to be included on the completed form, each party may sign and file a separate completed form.

Sales Disclosures

- ☛ Part Two of the form is for the County Auditor to file stamp the form, indicate that it is complete, and enter the date the property was transferred in the Transfer Book.

Sales Disclosures

* Part Three is for the County or Township Assessor to note any major physical changes to the property, list the assessed value, the property class code, the neighborhood code, and the DLGF assigned Taxing District number

Sales Disclosures

* If anyone other than the buyer/seller or an attorney of the buyer/seller is signing the form, a properly executed "Power of Attorney" form must be completed and attached.

Sales Disclosures

* **A person who knowingly and intentionally falsifies or omits any information required on the form commits a Class A Infraction.** In other words, it's against the law.

Sales Disclosures

- The county auditor is responsible for collecting the filing fee.
- The county auditor is also responsible for ensuring that all parties to the conveyance have completed and signed the sales disclosure form as required.

Sales Disclosures

- The county auditor may not accept the sales disclosure statement if the statement is not signed by the buyer and seller. (In the case of multiple sellers and/or buyers, only one seller and one buyer are required to sign.)

Sales Disclosures

- If the buyer or seller fails to completely fill out their designated portion of the form, the county auditor may not accept the conveyance document.
- An incomplete sales disclosure, along with the conveyance document should be returned to the person attempting to file the form.

Sales Disclosures

- By law (IC 6-1.1-5.5-6) the county recorder "shall not record a conveyance document without evidence that the parties have filed a completed sales disclosure form with the county auditor."

Sales Disclosures

- Any questions at this point on the form itself?
- Let's look at some other points about sales disclosures and how they are used.

Sales Disclosures

- First, the form is required by law. Indiana Code 6-1.1-5.5 requires, that before a conveyance document can be filed with the county auditor, a sales disclosure form must be filed.

Sales Disclosures

- Second, even though items 12-21 on the form result in no fee being paid, the buyer or seller is still responsible for completing the form in full.

Sales Disclosures

- For instance, if you are simply wanting to record a quit claim deed that does not transfer title, you would still need to fill out a sales disclosure form.

Sales Disclosures

- Third, there will be conveyances where none of the information in the "Conditions" section applies. The remainder of the form should still be filled out and signed. The county auditor should accept the form.

Sales Disclosures

* Fourth, contract sales are not exempt from the sales disclosure filing. A form needs to be filed at the beginning of the contract (when either the contract or a memorandum is recorded), and again when the deed is issued at the end of the contract term to convey title.

Sales Disclosures

* Fifth, telephone numbers are required to be given. However, telephone numbers on this document are considered confidential information. If any copies are shared with the general public, the telephone numbers must be permanently removed from the copies.

Sales Disclosures

* Social Security numbers are not required, but if they are given, they also are considered confidential, and must be permanently removed from any copies that are shared with the public.

Sales Disclosures

- Other than telephone numbers or Social Security numbers, the sale disclosure form is public information, and copies are required to be made available to the public upon request.

Sales Disclosures

- Sixth, the filing fee is \$10. A multi-parcel transaction should be considered one conveyance and only one fee collected.

Sales Disclosures

- On an exempt transaction, only one signature (either buyer or seller) is acceptable. (Items 12-21 on the form)

Sales Disclosures

✦ Misdemeanors and infractions:

✦ A person who knowingly and intentionally:

- ✦ Falsifies the value of transferred real property;
or
- ✦ Omits or falsifies any information required to be
provided in the sales disclosure form;
commits a Class A misdemeanor.

Sales Disclosures

✦ A public official who knowingly and intentionally accepts:


✦ A sales disclosure document for filing that:

- ✦ Falsifies the value of transferred real property;
or
- ✦ Omits or falsifies any information required to be
provided in the sales disclosure form; or

Sales Disclosures


A conveyance document for recording in
violation of IC 6-1.1-5.5-6
commits a Class A infraction.

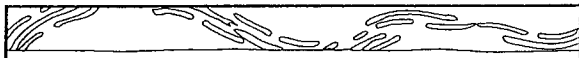
(This section pertains to the county
auditor and the county recorder.)



Sales Disclosure


- What is a conveyance document?
- Indiana Code 6-1.1-5.5-2 defines "conveyance document" as "any document, deed, contract of sale, agreement, judgment, lease that includes the fee simple estate and is for a period in excess of ninety (90) years,

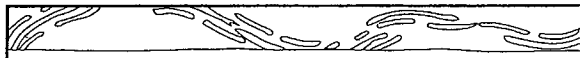




Sales Disclosures


quitclaim deed serving as a source of title, or other document presented for recording, that purports to transfer a real property interest for valuable consideration."





Sales Disclosures

- It does not include:
 - Security interest documents, such as mortgages and trust deeds
 - Leases for a term less than 90 years
 - Documents for compulsory transactions as a result of foreclosure or express threat of foreclosure, divorce, court order, condemnation or probate.



Sales Disclosures

- Documents involving the partition of land between tenants in common, joint tenants, or tenants by the entirety.
- Agreements or other documents for mergers, consolidations, and incorporations involving solely nonlisted stock.
- Quitclaim deeds not serving as a source of title.

Sales Disclosures

• How are they used?

- The county assessor or other assessing official must verify the accuracy of the information on the form. This can be done in several different ways – calls to the seller, calls to the buyer, calls to the title company, a survey form – whatever method the assessor finds that works.

Sales Disclosures

- If the county or township assessor calls you to verify the information on the form, they are only doing their job.



Sales Disclosures

- Accurate assessment information benefits everyone by keeping the assessed value accurate, which keeps the tax rate accurate, which has everyone paying their fair share.

Sales Disclosures

- Once the information is verified as accurate, then it will be used in a variety of ways:
 - Setting the market value in use values for the various classes of land and homesites
 - Neighborhood factors
 - Ratio studies
 - Annual adjustments

Sales Disclosures

- Prior to the 2002 reassessment, the township assessors used the sales disclosure forms to set the rates for residential land, commercial land, industrial land and agricultural homesites.

Sales Disclosures

Also, prior to the 2002 reassessment, the township assessor had to break the township down into neighborhoods. These neighborhoods were defined by such things as common development characteristics, size of lots, average age of the majority of improvements, geographic boundaries and sales.

Sales Disclosures

Once the boundaries were established, then the township assessor used the sales disclosures to calculate the land base rates applicable to each neighborhood.

Sales Disclosures

Post 2002, the township assessors also use the sales disclosures to calculate a neighborhood factor. This percentage accounts for the impact on value caused by physical characteristics in the neighborhood such as the type and layout of streets, availability of support services , and utilities.

Sales Disclosures

- It also takes into account the economic characteristics such as demand for property, mortgage interest rates, police and fire protection, zoning, crime rates, owner-occupant ratios and family size.

Sales Disclosures

- Using the sales disclosures and the property record cards for those properties, the improvement sale price and the improvement value was determined. The neighborhood factor is determined by dividing the total improvement sale price by the total improvement value.

Sales Disclosures

- Ratio studies had to be done for equalization purposes before the county's reassessment was approved by the DLGF. No property tax bills could be figured and sent to the taxpayers until the equalization study was completed.

Sales Disclosures

- The ratio studies had to conform to a standard published in by the 1999 International Association of Assessing Officers or other acceptable appraisal method approved by the DLGF.

Sales Disclosure

- Without going into a lot of detail, the ratio studies compare the sale prices of properties to the assessed value of those same properties to see how close the two figures are to each other. The resulting ratios are measured for accuracy, uniformity and a regressive/progressive tendency.

Sales Disclosures

- This is why the sales disclosures should be accurate. If they are not, any resulting ratio will not be correct, and properties could be adjusted incorrectly, causing people to either pay more or less taxes than they should.

Sales Disclosures

- The resulting statistical information was used to equalize the assessments between neighborhoods, between townships and classes or property.

Sales Disclosures

- Now, the townships have to do an annual adjustment for each class of property. This will be accomplished by ratio studies using the sales information for the past two years.

Sales Disclosures


- As they verify each form, you may be asked for assistance. Please give the county or township assessors as much information as you can about the sales they are working with.

Sales Disclosures

It is very important that the information be accurate. These studies must fall within certain guidelines, and will show areas where property value has gone up or down or stayed relatively the same. Assessment will be adjusted according to the information in the studies.

Sales Disclosures

Where does the money from the filing fee go?



Sales Disclosures

Each county has a sales disclosure fund, and the county auditor routinely deposits the fees collected into this fund. Under present law, fifty (50%) of what the county collects stays in the county.

Sales Disclosures

- Money in the fund can only be used for:
 - Administration of the sales disclosure process;
 - Verification of the information contained on the form;
 - Training of assessing officials;
 - Purchasing computer software or hardware for a property record system.

-
-
-
-
-
-

Sales Disclosures

- The county council must appropriate the money from the fund based upon requests of the assessing officials in the county.

-
-
-
-
-
-

Sales Disclosures

- The other 50% of the money goes to the state. There is a state assessment training fund, which is a dedicated fund. This means it cannot be used for anything other than the stated purpose for which it was created.

-
-
-
-
-
-

Sales Disclosures

- The DLGF may use the fund to cover expenses incurred in the development and administration of programs for training assessing officials and employees of the department.

Sales Disclosures

- It allows us to conduct the various classes for continuing education, the preparatory classes for the certification examinations and to do special programs like this one.

Sales Disclosures

- Senate Bill 327 (2005) made some changes in the property reassessment fund, including adding the verification of sales disclosure forms as an authorized expense of the fund. It also calls for the \$10 filing fee to be extended through the end of 2009, and delays the start of the next reassessment.

Sales Disclosures

- ✦ However, it also adds the requirement that the preparer of the form be listed with an address and telephone number
- ✦ It also requires that the seller and buyer furnish a legitimate telephone number.

Sales Disclosures

- ✦ Now that we have discussed the forms and what needs to be on them, there are several exercises that we are going to work.

Sales Disclosures

- ✦ You have several forms in front of you. Take a few minutes to look them over and then tell me if they are deficient in any way.

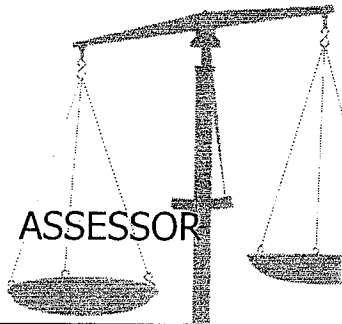
Effective Age

Presented by:
Ad Valorem Solutions

Look at this...

LIKE

AN



Residential Properties Effective Age

- Chronological Age
- Effective Age

Chronological Age

The actual, sometimes called historical, age is the number of years that have elapsed since the building construction was completed up to the depreciation date, which is March 1, 1999.

- The chronological age of a structure has traditionally been used as a strong indicator of its depreciation. But this approach, while simple and easy to use, does not generally reflect the actions of the market in buying and selling decisions, or the actual loss in value suffered by the improvements.

Effective Age

The age of a structure as compared to other structures performing like functions. Sometimes it can also be thought of as the actual age less the years that have been removed from the actual age by such things as maintenance, repair, upgrading, and change.

Effective age can also be decreased by the removal of some kind of functional inadequacy or the modernization of one or more of the systems.

➤ The items that would tend to reduce the effective age might include:

- New paint
- Carpeting
- Roof
- Furnace
- Electrical System
- Windows
- Plumbing
- Room additions
- General home remodeling

➤ For the valuation of real property within the State of Indiana, the **condition rating** will reflect the effective age of the structures.

➤ By changing, maintaining, or modernizing the structure, the age of the structure is effectively lowered, thereby the total economic life is extended. This change in economic life is reflected in the condition rating assigned the structure.

➤ Effective age may also be changed in a residential structure when remodeling takes place and the structure is updated, renovated, or when additional area is added which increases the structures functional utility.

Residential Examples

- In class problems
- Chronological age
 - Effective age
 - Weighted age

Commercial Properties Effective Age

- The actual age of a structure should be determined from the records of the owner. If this is not available, public records such as building permits or older property record cards may be used.

- Structures which have had additions built subsequent to the construction of the principal or original structure must have a "weighted" age calculated to use in place of the actual age when using the commercial and industrial depreciation tables.

- The method of calculating weighted age is one of weighting the actual age of the original structure and each of its additions by the square footage contained in each part of the structure.

Example

An industrial plant was originally built forty (40) years ago in 1959 and has had two additions; one twenty (20) years ago in 1979 and the second five (5) years ago in 1994. The original structure contained twenty thousand (20,000) square feet, addition one contained five thousand (5,000) square feet and addition two contained ten thousand (10,000) square feet.

The calculation of the weighted age would be as follows:

Part of Structure	Size	Total S.F.	%	Year	Contribution
Original plant	20,000	+35,000	57.14	1959	=1,119.43
1st addition	5,000	+35,000	=14.29	x1979	=282.71
2nd addition	10,000	+35,000	=28.57	x1994	=569.71
Totals	35,000		100		=1,971.85

1,971.85 rounds to the year **1972**.

Therefore, the structure has a weighted age of twenty-seven (27) years and the assessor would enter 1972 on the property record card in the age column under summary of improvements.

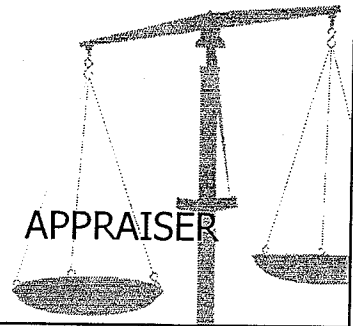
Commercial Examples

- In class problems
 - Actual Age
 - Weighted Age
 - Effective Age

Look at this...

LIKE

AN



Effective age

- The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (USPAP, 2002 ed.)

{The dictionary of Real Estate Appraisal 4th Edition}

- Actual age, which is sometimes called *historical age* or *chronological age*, is the number of years that have elapsed since building construction was completed.
- Effective age is the age indicated by the condition and utility of a structure and is based on an appraiser's judgment and interpretation of market perceptions.

{The Appraisal of Real Estate 12th Edition}

➤ Actual Age

Is the difference between the date of construction and the effective date of the appraisal.

➤ Effective Age

Is the numerical age estimate of the improvements based on the conditions of the improved property and comparison with competitive properties of the same actual age.

{The Appraisal of Real Estate 12th Edition (workbook)}

Age and Life Relationships

Description of Improvements

- Age vs. Effective Age:
 - Most abused section of the appraisal report
 - Large unsupported differences between age and effective age will result in an inflated value.

Supporting Effective Age

- The wider the variance, the more details needed for support.
- Specifics should be provided for updates, remodeling, etc., that would increase the subject's value based on local market acceptance

Age/Life Method

- This method estimates depreciation as a lump sum based on assumed straight-line depreciation
- Economic life is estimated using rules of thumb based on past experience or published sources
- Effective age is usually used in place of actual age, but this varies

Age/Life Method Example

Reproduction cost new	\$255,000
Total economic life	55 years
Effective age	20 years
% accrued depreciation	= 20/55 = 36.4%
Accrued depreciation	<u>92,820</u>
Depreciated value of improvements	162,180
Land value	<u>39,000</u>
Estimated market value	\$201,180

Modified Age/Life Method

- Sometimes the age/life method is modified by subtracting out curable physical and functional depreciation before calculating the lump sum depreciation of the rest
 - The idea is that the owner will cure these problems because it adds more value than it costs

Modified Age/Life Method Example

Reproduction cost new	\$255,000
Physical and functional depreciation, curable	<u>12,500</u>
Adjusted cost	\$242,500
Total economic life	55 years
Effective age	17 years
% accrued depreciation	= 17/55 = 30.9%
Accrued depreciation	<u>74,933</u>
Depreciated value of improvements	167,567
Land value	<u>39,000</u>
Estimated market value	\$206,567

Comments on Age/Life Method

- The general relationship between age and depreciation varies from market to market
 - Use local patterns, not national ones
- Although this method assumes straight line depreciation, this is not typically accurate
 - The amount of depreciation changes from year to year
- Location of a property within a given market area does not appear to affect depreciation rates

Comments on Age/Life Method

- Effective age (based on subjective appraiser judgment) appears to be more accurate than physical age
- Depreciation rates of between 0.90 and 1.70 percent per year seems to be a useful benchmark for properties that are not too old
- Depreciation rates can be estimated from comparable sales (market extraction)

Appraising Examples

- In class problems
 - Effective Age
 - Age Life Method
 - Overall review

Questions

Questions

Questions

THANK YOU FOR YOUR
ATTENDANCE

ENJOY THE CONFERENCE

ICAA Summer Conference 2007

Instructor BRIAN THOMAS

Sign In Sheet

Date 8/9/2007

Course EFFECTIVE AGE

Name	County	Signature	Printed Name	Level III
Earlene Howard	Montgomery	Earlene Howard	Earlene Howard	II
Leg Hudson	"	Leg Hudson	Leg Hudson	II
Jean Robin	Warren	Jean Robin	Jean Robin	II
Denise Zeigler	Deerfield	Denise Zeigler	Denise Zeigler	I
Kathi Smith	Brown	Kathi Smith	KATHI SMITH	I
ROBERT BEESING	Bastard	Robert Beasing	ROBERT BEESING	II
Scott Woodard	Vermilion	Scott Woodard	SCOTT WOODARD	II
Doug Meador	Floyd	Doug Meador	Doug Meador	II
Brenda Ege	Floyd	Brenda Ege	Brenda Ege	II
Gail Myers MacIntyre	Vendoe	Gail Myers MacIntyre	Gail Myers MacIntyre	II
Linda Shaker	Floyd	Linda Shaker	Linda Shaker	II
DAVID SEEVERS	HANCOCK	David Seever	DAVID SEEVERS	II
Jill Ebert	Hancock	Jill Ebert	Jill Ebert	II
CAROLE S. MAYNARD	HANCOCK	Carole S. Maynard	CAROLE S. MAYNARD	II
MAURA GARDNER	Chelan	Maura Gardner	Maura Gardner	II
GARY ANDREUM	GROAT	Gary Andrum	GARY ANDREUM	II
MAEYLA SMITH	BORDE	Maeyla Smith	MAEYLA SMITH	II
GARY LITK	VENORE	Gary Litk	GARY LITK	II
CHRISTINE PAUL	WABASH	Christine Paul	CHRISTINE PAUL	II
KAY C. HAPNER	WABASH	Kay C. Hapner	KAY C. HAPNER	II
LORI CARNEY	KABRANGE	Lori Carney	LORI CARNEY	II

ICAA Summer Conference 2007

Instructor BRIAN THOMAS

Sign In Sheet

Date 8/9/2007

Course EFFECTIVE AGE

Name	County	Signature	Printed Name	Level / H
John Hinds	Tipton	John Hinds	John Hinds	
Linda Altherr	Tipton	Linda Altherr	Linda Altherr	II
Donna Michel	Tipton	Donna Michel	Donna Michel	
Shannon Cassons	Tipton	Shannon Cassons	Shannon Cassons	II
Anita Freeman	Monroe	Anita Freeman	Anita Freeman	2
LeeAnna Ratliff	Monroe	LeeAnna Ratliff	LeeAnna Ratliff	II
Juanita Beadle	Gibson	Juanita Beadle	Juanita Beadle	II
Lester Terry Moore	Monroe	Lester Terry Moore	Lester Terry Moore	II
TAMMY WARESTER	DEKALB	TAMMY WARESTER	TAMMY WARESTER	
Sheila Stonebraker	DeKalb	Sheila Stonebraker	Sheila Stonebraker	II
MARYLIN R. ALLEN	PARKS	MARYLIN R. ALLEN	MARYLIN R. ALLEN	II
JOHN R. SCOTT	PORTER	JOHN R. SCOTT	JOHN R. SCOTT	I
Shirley LaFever	PORTER	Shirley LaFever	Shirley LaFever	II
WILLIAM LA FEVER	PORTER	WILLIAM LA FEVER	WILLIAM LA FEVER	II
Kenneth W. Anderson	Owen	Kenneth W. Anderson	Kenneth W. Anderson	II
Bobby J. Keith	Ohio	Bobby J. Keith	Bobby J. Keith	II
Sharon Halcomb	Franklin	Sharon Halcomb	Sharon Halcomb	II
Debbie Schaeffer	Franklin	Debbie Schaeffer	Debbie Schaeffer	II

2007 JOINT WINTER CONFERENCE COURSE DESCRIPTIONS

TRENDING "A WHOLE LOT MORE THAN JUST NEW FACTORS"- 3 HOURS

This course covers all the preliminary work need to properly trend all types of property prior to calculating the basic residential market factors and submitting a ratio study. We will review neighborhood arrangements, sales disclosure investigation, outlier resolution, land value determination, Commercial/Industrial trending techniques, as well as residential assessments in a market system.

Bring: Pencil and calculator

COMPOUND INTEREST TABLES MADE SIMPLE - 3 HOURS

The compound interest tables aren't just for math geeks! These tables are valuable tools when used in the hands of a trained appraiser. This course will review the art of saving to replace the roof on a business, determine the leaseback of property and it's application to market value, calculate discounted values for developmental ground or proposed large tenant projects. Yes, all this and more awaits you in this fun and educational class. Be the first in your county to become a professional compound interest table operator. Don't be shy, Pat Alesandrini will make this very easy to understand!

Bring: Pencil and calculator

INHERITANCE TAX: FROM BEGINNING TO END AND ALL THE IN BETWEEN- 3 HOURS

This course is designed to educate current assessors and their staff along with those newly elected assessors. You will learn what forms to use and when. Auditing the IH-6, what you should look for and why it's important. We will also talk about dealing with difficult attorneys and personal representatives, and how you can get them to comply with your requests. Additionally, we will discuss so those "odd situations" that pop up just when you think you've heard it all!

Bring: No materials required

OFFICE MANAGEMENT-3 HOURS

This course will cover many different aspects of management in the assessment office. Topics to be covered include: functions of the assessment office-both short and long term; organizational structure; time and staff estimations for reassessment projects; public relations; and quality control. This course will assist the assessment official to streamline their operating procedures. This class will be beneficial to all regardless of your level of employment.

Bring: Pencil and calculator

INVESTMENT DEDUCTIONS AND ABATEMENTS - 3 HOURS

A year later and what have we learned? This course will provide a basic overview of tax abatements, including a review of the abatement process, the Investment Deduction, and the Assessor's role. Frequently asked questions (or problems) about abatements and the investment deduction will also be discussed, as well as the Minimum Value Ratio (MVR).

COURSE DESCRIPTIONS

GIS & ASSESSING "HOW THEY GO HAND IN HAND"

THIS COURSE WILL INTRODUCE THE ASSESSOR TO THE BENEFITS OF USING GIS FOR THE DAY TO DAY OPERATIONS OF THE ASSESSOR'S OFFICE. ASSESSOR'S OFFICES ARE REQUIRED TO DO MORE WITH LESS EVERY YEAR. GIS GIVES ASSESSORS A TOOL TO MAXIMIZE THEIR RESOURCES. WE WILL GIVE ASSESSORS A FIRST HAND ACCOUNT OF THE DOS AND DON'TS OF IMPLEMENTING A GIS SYSTEM. GIS IS ALWAYS A WORK IN PROGRESS, DEMANDING OF ITS USER'S TOTAL COMMITMENT. USED AND MAINTAINED CORRECTLY GIS WILL GIVE A COUNTY A PRODUCT THAT WILL MAKE IT MORE EFFICIENT AND ACCOUNTABLE. NO CREDIT HOURS/INFORMATIONAL CLASS ONLY

INSTRUCTORS: JUDY SHARP & PHILIP BERNARD

TRENDING PROBLEMATIC NEIGHBORHOODS "A WHOLE LOT MORE THAN JUST NEW FACTORS"

THIS CLASS WILL CONCENTRATE ON PROBLEMATIC NEIGHBORHOODS AND HOW JUST CALCULATING NEW FACTORS WON'T GIVE YOU UNIFORM AND EQUITABLE ASSESSMENTS THROUGHOUT THE ENTIRE NEIGHBORHOOD, DESPITE BEING WITHIN STATE STANDARDS. THIS CLASS WILL FOCUS ON AN APPROACH THAT PROVIDES BETTER UNIFORMITY, REDUCED APPEALS AND DECREASED TAX RATES BY ADDRESSING EFFECTIVE YEAR, CONDITION AND GRADE FOR ALL PROPERTIES WITHIN THE NEIGHBORHOOD AS THEY RELATE TO 2006 MARKET VALUES. 3 CREDIT HOURS *BRING A CALCULATOR*

INSTRUCTOR: KEN SURFACE

OFFICE MANAGEMENT FOR DUMMIES

THIS CLASS WILL BE HEADED BY A PANEL OF VOLUNTEER ASSESSING OFFICIALS. IT IS DESIGNED TO HELP NEWLY ELECTED OFFICIALS AND THEIR DEPUTIES TO ORGANIZE AND UNDERSTAND THE DAILY OPERATIONS OF THE OFFICE. PLEASE BRING ANY QUESTIONS OR IDEAS WITH YOU OR E-MAIL THEM IN ADVANCE TO CMAYNARD@HANCOCKCOINGOV.ORG PRIOR TO CONFERENCE. HOPEFULLY, EVERYONE CAN LEARN THROUGH THIS INFORMAL ROUND TABLE DISCUSSION.

NO CREDIT HOURS/INFORMATIONAL CLASS ONLY

MODERATOR: CAROLE MAYNARD

INHERITANCE TAX

THIS CLASS IS DESIGNED TO EDUCATE ASSESSORS AND THEIR STAFF ON INHERITANCE TAX PROCEDURES AT THE COUNTY LEVEL. TOPICS TO BE COVERED INCLUDE: AUDITING THE IH-6, IH-14 PROCEDURES, OVERVIEW OF FORMS AND HOW TO DEAL WITH BANKS, ATTORNEYS AND TAXPAYERS.

3 CREDIT HOURS

INSTRUCTOR: KRISTEN KEMP

PTABOA

1.5 CREDIT HOURS

INSTRUCTOR: MARILYN MEIGHEN

SALES DISCLOSURES

3 CREDIT HOURS

INSTRUCTOR: DIANA BOYLLS

EFFECTIVE AGE

3 CREDIT HOURS

INSTRUCTOR: BRIAN THOMAS

INCOME APPROACH / RENTAL PROPERTIES

3 CREDIT HOURS

INSTRUCTOR: KURT BARROW

PERSONAL PROPERTY

3 CREDIT HOURS

INSTRUCTOR: JOE LUKOMSKI

Rushenberg, Tim

From: Atherton, Thomas [TAtherton@boselaw.com]
Sent: Thursday, April 24, 2008 11:51 PM
To: Musgrave, Cheryl; Rushenberg, Tim; Wood, Barry
Cc: Shaw Friedman; frank@nexustax.com; marilyn meighen
Subject: Closing Comments

Attachments: PDF Document - Microsoft Word - Document6



Microsoft Word -
Document6.pdf...

-----Original Message-----

From: PDF Printer [mailto:helpdesk@boselaw.com]
Sent: Thursday, April 24, 2008 11:49 PM
To: Atherton, Thomas
Subject: PDF File - Microsoft Word - Document6

Attached is the PDF document that you recently printed. Adobe Acrobat Reader is necessary to view this file. Acrobat Reader can be obtained from <http://www.adobe.com/products/acrobat/readstep.html>

This message is from the law firm Bose McKinney & Evans LLP. This message and any attachments may contain legally privileged or confidential information, and are intended only for the individual or entity identified above as the addressee. If you are not the addressee, or if this message has been addressed to you in error, you are not authorized to read, copy, or distribute this message and any attachments, and we ask that you please delete this message and attachments (including all copies) and notify the sender by return e-mail or by phone at 317-684-5000. Delivery of this message and any attachments to any person other than the intended recipient(s) is not intended in any way to waive confidentiality or a privilege. All personal messages express views only of the sender, which are not to be attributed to Bose McKinney & Evans LLP, and may not be copied or distributed without this statement.

Commissioner Musgrave,

In response to your invitation to submit closing thoughts for your final consideration, I submit the following.

1. **IAAO Recognition of Chi-Square Test.** There was discussion today of whether the IAAO has recognized the Chi-Square test. It has. On pages 299-300 of the Mass Appraisal of Real Property, the Chi-square test is mentioned as test for equality of assessment between groups of property (i.e. sales chasing) as long as the expected count for each cell exceeds 5, which it does by far in all of the cases we cited.

2. **The of lack of homogeneity in Michigan Township.** While Dr. Kelly's April 16 presentation mentioned that residential properties were vastly dissimilar in Michigan Township. While we do not concur with Dr. Kelly's assertions about the impact of non-homogeneity on the Mann-Whitney test, Dr. Kelly didn't make such a representation about commercial properties. Mr. Denne has performed a sales ratio study on those commercial properties and the Mann-Whitney test shows statistically significant findings of sales chasing. Dr. Schwab could easily replicate the test.

3. **The Sensitivity of the Mann-Whitney¹ test, the lack of importance of differences in medians, and certain townships not being found in violation of sales chasing.** Nexus has pointed out that in some instances the median level of assessment between the sold and unsold properties does not deviate by too much. (See, e.g. page 4. of the April 16 Nexus handout, "Further please review the median % change figures by neighborhood for Michigan TWP. Virtually all neighborhoods have very similar changes.") Nexus argues that because the medians are close, sales chasing could not have taken place. But as Mr. Denne explained, sales chasing can be positively shown even when the median of sold properties does not differ at all from the median for sold properties. Simply put, the Mann-Whitney test is much more important in detecting sales chasing than comparing differences, or lack of difference in the medians of sold and unsold properties. If the Mann-Whitney was not a more meaningful tool, why would the IAAO even recommend performing the Mann-Whitney?

The explanation of why the Mann-Whitney is the touchstone for testing for sales chasing, and comparing medians is not starts with the sensitivity of the Mann-Whitney test. The Mann-Whitney test is not particularly sensitive; quite a bit of sales chasing can take place before the test will reveal sales chasing to a statistically significant degree. Overall, that's a good thing; we don't want the test to reveal a lot of false positives and find sales chasing where it does not exist. There is a concomitant downside: the lack of sensitivity also means that some "modest" sales chasing can take place without being detected by Mann-Whitney.

Sales chasing will affect the COD more readily than the median level. COD's are the average percentage deviation from the median ratio. The median levels is just what its name implies. One of the strengths of the median is that it is resistant to the pull of outliers, while averages are more subject to the influence of outliers. Therefore, it may take quite a bit of sales chasing to move the median level, because changing a few bad assessments won't move the median much. COD's are another matter and, as averages, can be moved a great deal by only a few changes. Therefore, an assessor who needs to bring his or her COD's into tolerance, may not need to move many assessments (chase many sales.) As Mr. Denne has indicated, and a little experimenting with sales ratio data will demonstrate, it is quite possible to bring COD's into tolerance and not move the median level at all. (Obviously, the smaller the sample, the fewer sales that would need to be changed to move the COD.) In fact, the Nexus April 16 memo

¹ Dr. Kelly invariably refers to "the Wilcoxon (sic) Mann-Whitney test. For the sake of clarity, this is the same test that Mr. Denne and the IAAO refer to as the Mann-Whitney test. The correct spelling, however, is "Wilcoxon," not "Wilcoxon."

contains examples of how removing just one or two sales may be enough to bring non-compliant COD's into line.

With regard to the fact that not every township failed the Mann-Whitney test, one could conclude either that sales chasing did not occur, or alternatively, that the Mann-Whitney test just wasn't sensitive enough to detect a "modest amount" of sales chasing.

4. The Law and Good Assessment Practices. It is always a pleasure to discuss the law with an economist. In his email of this evening, Dr. Kelly sites 3 Indiana Tax Court cases.² The cases stand for the proposition, as we discussed this afternoon, that in order to overturn an assessment on appeal a taxpayer cannot simply rely on an error in the assessment, but must provide substantive evidence of the correct value of the property. For example, in *Ekerling v. Wayne Township Assessor*, the Ekerlings could not just point to the fact that the assessor used the wrong schedule to cost out their improvements. In order to win on appeal, the taxpayer had to show independent evidence of the market value in use of their property. Thus, the fact that the assessor may have used the wrong cost schedule was not enough by itself for the taxpayer to prevail. But that is a far cry from saying that it in setting the assessment the assessor is free to use whatever cost schedule suits his whim, as long as the ultimate value is correct. Importantly, neither the Tax Court nor the IBTR has ever said that assessors may change fundamental property characteristics—including age, grade and condition -- without regard for the actual physical characteristics of the property.

The "disconnect of information" is in not being able to perceive the difference from carrying a burden of proof in an assessment appeal, and what constitutes good assessment practice. It is true that Indiana, like most other states, initially sets assessments based on the cost approach. It is also true that in Indiana, like most other states, if the assessor does not believe that the cost approach is an accurate reflection of value, he or she should make adjustments so that the assessed value is correct. But that does not mean, as Dr. Kelly surprisingly alleges in his email, **"that the final assessed value is the only important element of the assessment, not grade, condition or other elements."**

Indiana's assessment system starts with the physical attributes of property and estimates the cost to construct those improvement. (Replacement Cost New, or RCN). The next step in the system is to depreciate the RCN based on factors such as age, grade and condition. Finally the assessor adds in land value. If assessments set under the cost approach are to have any hope of accuracy and uniformity, it is imperative that the physical characteristics, age grade and condition, and land values be established by the assessor as accurately and honestly as possible. If at the end of that calculation the indicated value needs to be adjusted, the assessor has the authority to do so. He or she does not have the authority to change factors that have been correctly entered. Dr. Kelly, however explained in his April 16 presentation, that in some neighborhoods, Nexus adjusts one or more factors such as age, grade or condition, in order to arrive at what Nexus believes is the correct market value in use. In other cases they use different factors. On April 16, Dr. Kelly said that it doesn't matter what factor you change, as long as the bottom line is correct.

It does matter. In setting assessments it matters a great deal. It matters because an assessor must have an accurate inventory of property characteristics if there is to be any hope of correctly estimating replacement cost. It matters because if there is to be any uniformity between assessments we must be able to have a true understanding of not only the market values of properties but also their physical characteristics. It matters because accurate trending requires accurate physical information about the properties that are to be trended. It matters because as

² The BKKM case cited by Dr. Kelly is an unpublished decision which, according to Indiana Court Rules should not be cited as authority.

an assessor attempts to model the market, he or she must know and consider the actual physical characteristics of properties.

And it matters to the integrity of the system. It matters to the public's trust in the system. Is it any wonder that so many citizens of LaPorte County have lost all faith in the assessment system when their assessor says that grade, condition, age and "other elements" are not important? If assessors treat land values – an essential part of the every assessment – as just an arbitrary, "back-filled" number to be inserted in order to keep the taxpayers from knowing why their assessments are actually being increased, the system is diminished.

Dr. Kelly has mis-quoted the Manual in a futile attempt to support his position that "the final assessed value is the only important element of the assessment, not grade condition or other elements." Dr. Kelly states, "[i]n fact page 2 of the Manual states in part that **assessors shall make whatever changes necessary to arrive at their view of the proper value.**" (Emphasis added.) The manual says no such thing. Presumably, Dr. Kelly refers to this quote that appears on page 2 of the Manual.

Although this assessment manual provides general rules for assessing property, situations may arise that are not explained or that result in assessments that may be inconsistent with this definition. In those cases the assessor shall be expected to adjust the assessment to comply with this definition and may ask the State Board to consider additional factors, pursuant to IC 6-1.1-31-5, to accomplish the adjustment.

Therefore, nothing in the manual suggests that Assessors are encouraged to make incorrect changes to grade, condition, effective age, or any other property characteristic. What IS required is that they adjust the assessment to make the "bottom line value" reflect the market value in use. There is an express column in property record cards that permits assessors to make a "market adjustment" to comply with the definition of value. Making such adjustment not only complies with the intent of the Manual, but it preserves physical characteristics of the property data in a way that permits assessors to trend assessments in future years.

5. **The Mann-Whitney test is valid, even if the sales chasing has taken place over more than one year.** No authority has been cited, and none exists for the assertion that there is any relevance to the period of time between reassessments in applying the Mann-Whitney (or any other) sales-chasing test.

**BOSE
McKINNEY
& EVANS LLP**

ATTORNEYS AT LAW

Thomas M. Atherton

135 N. Pennsylvania Street
Suite 2700
Indianapolis, IN 46204
Direct Dial: (317) 684-5348
Fax: (317) 223-0348
E-Mail: TAtherton@boselaw.com

May 21, 2008

Mr. Timothy Rushenberg
General Counsel
Indiana Department of Local Government Finance
Indiana Government Center North
100 N. Senate Ave., Rm. 1058(B)
Indianapolis, IN 46204

Dear Mr. Rushenberg:

In addition to submitting the Denne comments on Dr. Hamilton's statistical analysis, I wanted to offer these brief comments. The Department's Resolution 2008 - 0001 found a number of areas of non-performance including "compelling evidence" "that the County through its vendor may have intentionally changed assessment elements, such as effective age and land values, in order to reach a 'bottom line value'." As further explained below, neither Nexus nor the County (i) offered any evidence suggesting that they did not, in fact, manipulate property characteristics on property record cards in order to achieve a bottom-line value, nor (ii) offered any arguments that such manipulation is permitted under Indiana law.

1. At the May 15 hearing, Dr. Hamilton offered a number of statistical critiques concerning ratio studies, but so far as I can recall, Dr. Hamilton never (a) disputed that Nexus had intentionally changed assessment elements such as effective age and land values in order to reach a bottom line value; and (b) never suggested that it was good assessment practice to change assessment elements in order to reach a bottom line value. Given that Dr. Hamilton has some familiarity with IAAO standards and generally accepted assessment practices, his failure to offer any support for Nexus on the points is damning.

2. At the May 15 hearing, neither Nexus or the County presented any witness to dispute that Nexus had intentionally changed assessment elements such as effective age and land values in order to reach a bottom line value. Likewise, neither Nexus nor the County presented any witness, or cited any generally recognized authority that it was good assessment practice to change assessment elements in order to reach a bottom line value.

3. The Department's charge that Nexus manipulated assessment elements to arrive at bottom line values was fully supported by the explicit admissions of Dr. Kelly and Mr. Weunsch

Mr. Rushenberg
May 21, 2008
Page Two

at the April 16 meeting. Therefore, it is understandable that Nexus and the County did not claim that the assessment elements had not been manipulated. But it is also crucial to note that they did not offer any evidence suggesting that their manipulation of data was justified, or that such manipulation constitutes an acceptable assessment practice. Faced with the Department's tentative findings on data manipulation and an opportunity to refute the findings, the silence of Nexus and the County on these issues is deafening.

4. It seemed clear from the April 16 statements of Mr. Weunsch and Dr. Kelly that the manipulation of assessment elements was a standard practice for Nexus and took place throughout LaPorte County. In fact, at the May 15 hearing, the County and Nexus submitted damning materials in the form of PowerPoint presentations prepared by Nexus and submitted as a part of "Tab E" of their materials. These PowerPoints seem to be a "do it yourself" text showing how Nexus did (and how other assessors should) manipulate property characteristics in order to justify a chosen value. Tab E can be seen only as evidence that, in Nexus' opinion, manipulation of property characteristics is a proper assessment technique. Given Nexus' endorsement of the "technique" in Tab E, it is appropriate to infer that Nexus has widely applied the "technique" throughout La Porte County. This is further evidence of the necessity for a county-wide reassessment.

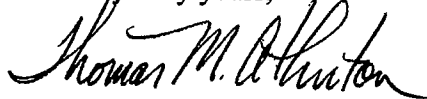
Because interim-year assessments are trended from year to year based on application of trending factors to property characteristics as reflected on property record cards, the corruption of the underlying property data will have a ripple effect for each subsequent year unless a reassessment is ordered. The pernicious impact of manipulated property record card data is manifest and must be remedied in order to provide any confidence that future year assessments are correct and that the property tax relief enacted during the 2008 session of the General Assembly applies uniformly and equally throughout the county in the years to come.

Mr. Rushenberg
May 21, 2008
Page Three

For the foregoing reasons, and for the reasons explained in the vast array of materials submitted to the Department throughout the course of the Department's proceedings, we request, on behalf of Mr. Wendt, that:

- (a) the Department order a complete reassessment of La Porte County;
- (b) an experienced, independent contractor rather than Nexus conduct the reassessment;
- (c) the independent contractor be directed to assume responsibility over the initial level of appeals instead of the La Porte County PTABOA; and
- (d) to the extent permitted by law, that the current La Porte County Assessor be relieved of her duties.

Very truly yours,



Thomas M. Atherton

TMA:mp

1143829